Cohort plc
Annual Report and Accounts 2012

Cohort plc is the parent company of three innovative, agile and responsive businesses operating in defence and related markets.

We provide a range of services and products to customers both in the UK and internationally.

visit us online at
www.cohortplc.com

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Financial and operational highlights

- Adjusted operating profit* up 47% to £6.5m (2011: £4.4m), a record trading profit.
- Adjusted earnings per share* up 62% at 15.52 pence (2011: 9.60 pence).
- Net funds up 110% to £14.1m (2011: £6.7m), all debt repaid.
- Proposed final dividend up 19% at 1.90 pence per share (2011: 1.60 pence).
- Record profit at MASS.
- Improved profit at SCS.
- SEA profitability markedly improved, more work to do.

* Excludes exceptional items, amortisation of other intangible assets and marking forward exchange contracts to market value at the year end.

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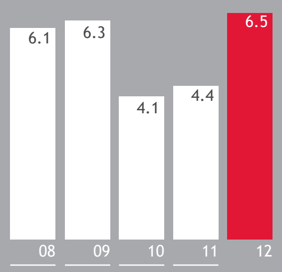
Adjusted operating profit* (£m)

£6.5m

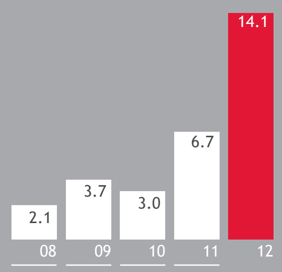
+47%



Net funds (£m)

£14.1m

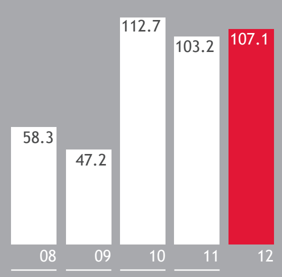
+110%



Order book (£m)

£107.1m

+4%



Overview
Chairman's statement

The Cohort businesses have strong and relevant capabilities and established positions on some key long term UK MOD programmes.

Nick Prest CBE
Chairman

Adrian Scarbrough Photography © 2012

"The combination of good order book, strong net funds and businesses with operational momentum provides a solid foundation for the coming year."

In summary

The Board is recommending a final dividend of 1.9 pence per ordinary share (2011: 1.6 pence).

Cohort achieved a record trading profit for the year of £6.5m (2011: £4.4m).

MASS achieved another year of record profit.

SCS improved its profitability in a tight market.

SEA returned to better levels of profitability, but more work is to be done.

The Group paid off all its debt and ended the year with record net funds of £14.1m (2011: £6.7m).

Cohort continued to improve its performance in the year, achieving a record trading profit and increasing its order book and net funds. All of Cohort's businesses have improved their trading performance with MASS achieving another record result, SCS growing its profitability in a tight market and SEA making good progress, although with more to do.

Key financials

In the year ended 30 April 2012, Cohort posted revenue of £75.4m (2011: £65.1m), the increase being generated by organic growth. This included revenue of £17.5m (2011: £18.4m) from Systems Consultants Services Limited (SCS), £26.1m (2011: £23.5m) from MASS Consultants Limited (MASS) and £31.8m (2011: £23.2m) from SEA (Group) Limited (SEA).

The Group's adjusted operating profit was £6.5m (2011: £4.4m). This included adjusted operating profit from SCS of £1.3m (2011: £1.0m), from MASS of £4.8m (2011: £4.2m) and from SEA of £1.7m (2011: £0.3m). Cohort Group overheads were £1.3m (2011: £1.1m). The better profitability reflected a combination of improved operational efficiency and revenue growth.

The Group operating profit of £4.2m (2011: £2.8m) was after recognising amortisation of intangible assets, exchange losses on marking forward exchange contracts to market at the year end and exceptional items, although none of the latter this year. Profit before tax was £4.2m (2011: £2.7m) and profit after tax was £4.6m (2011: £2.8m).

Basic earnings per share were 11.30 pence (2011: 6.79 pence). Adjusted earnings per share were 15.52 pence (2011: 9.60 pence). The adjusted earnings per share were based upon profit after tax, excluding amortisation of other intangible assets, marking forward exchange contracts to market at the year end and exceptional items, all net of tax. The basic and adjusted earnings per share for the year ended 30 April 2012 include a benefit from a prior year tax credit of 2.48 pence per share.

Order intake for the year was £79.3m (2011: £55.6m). The net funds at the year end were £14.1m (2011: £6.7m), the Group having paid down all its debt (£3.4m) in the year.

Dividends

The Board is recommending a final dividend of 1.9 pence per ordinary share (2011: 1.6 pence), making a total dividend of 2.9 pence per ordinary share (2011: 2.4 pence) in respect of the year ended 30 April 2012, a 21% increase. This will be payable on 19 September 2012 to shareholders on the register at 24 August 2012 subject to approval at the Annual General Meeting on 11 September 2012.

MASS

MASS again traded strongly in the year and posted record figures for sales, profit and cash generation, this performance benefiting from the successful completion of a number of projects. During the year MASS commenced its delivery of the new electronic warfare database to the UK MOD. This is an important foundation for maintaining MASS's unique capability in this area and also provides a springboard for MASS to increase its export opportunities.

SCS

SCS has continued to experience a tight domestic market for its services, evidenced by the 5% fall in revenue year on year. However, the action SCS has taken to align its cost base with its revenue has resulted in an improved trading profit of £1.3m (2011: £1.0m), growth of 29%. SCS continues to win new and repeat business with its primary UK customer and has also secured overseas orders, where the strong reputation of UK Forces provides a key selling point.

SEA

SEA improved its profitability following the organisational and management changes made in the second half of 2010/11, although it has continued to be affected by some poorly performing projects. These are expected largely to complete during the current financial year. SEA's operating performance is expected to improve further as the changes made are fully embedded and projects with poor margins come to completion. SEA underlined its strong capabilities by securing over £38m of new orders in the year.

Management and staff

The Group's improving performance reflects the impact of the management changes made over the last two years. The senior management teams at Cohort and within the subsidiaries have steered the business through some difficult times and deserve credit for maintaining focus and morale. My thanks also go to all the staff within the businesses, whose hard work and ability to deliver what our customers need, within tight budgets, are what ultimately drive our performance.

Outlook

The closing order book of £107.1m (2011: £103.2m) represents a like-for-like improvement of 12% on the opening position after taking account of the run-off of approximately £8m of multi-year orders in 2012. The UK defence market remains tight, although some visibility appears to be returning after the recent government spending round announcements. The Cohort businesses have strong and relevant capabilities, established positions on some key long term UK MOD programmes, and a good pipeline of new opportunities.

The Group will continue to pursue the expansion of its business outside the UK as well as its non-defence business. The pipeline of export opportunities is strengthening, though the timing of these is always uncertain.

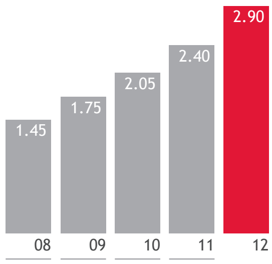
As I stated last year and reiterated in December's interim report, the Board's policy remains to increase shareholder value through operational improvements and organic growth and through corporate activity where suitable opportunities arise. Cohort is making progress in all these respects, and the combination of good order book, strong net funds and businesses with operational momentum provide a solid foundation for the coming year.

Nick Prest CBE
Chairman

Dividend payment per share

2.90p

+21%



Overview
Our business

Cohort is the parent company of three well established subsidiaries providing a wide range of services and products for UK and international customers.

Cohort aims to add real value to its subsidiaries through the experience and contacts of its senior team while providing a light-touch but effective governance framework.

Secure networks

Design, implementation, configuration, management and consultation in relation to secure networking infrastructure.

Electronic systems

Design, prototyping, testing, manufacture and support of electronics-based equipment, including the development of embedded software, FPGAs etc.

Operating divisions

MASS harnesses technology to deliver trusted services and solutions that improve the security, efficiency and effectiveness of operations in government, industry and educational establishments.

- EWOS
- Managed services
- Systems development

SCS is an independent consultancy with a first-class reputation for providing a wide range of technical support, consultancy and managed services to a diverse customer base.

- Complex systems
- Information and communication services
- Logistics
- Training support services

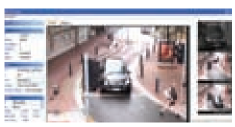
SEA delivers systems engineering, software and electronic engineering services and solutions, including design and manufacture to government and industry.

- Aerospace
- Communication systems
- Sensor processing products
- Sensor and information systems

Specialities

MASS is delivering secure networks to schools in the UK

SEA has developed a suite of products and user software to help our transport customers manage civil enforcement



Application software

Development, support and upgrade of software packages.

Operational support

Provision of direct support to active operations including the processing and provision of operational data and field support of operational equipment.

Training

Supply of training courses, trainers, training materials and facilities.

Specialist expertise

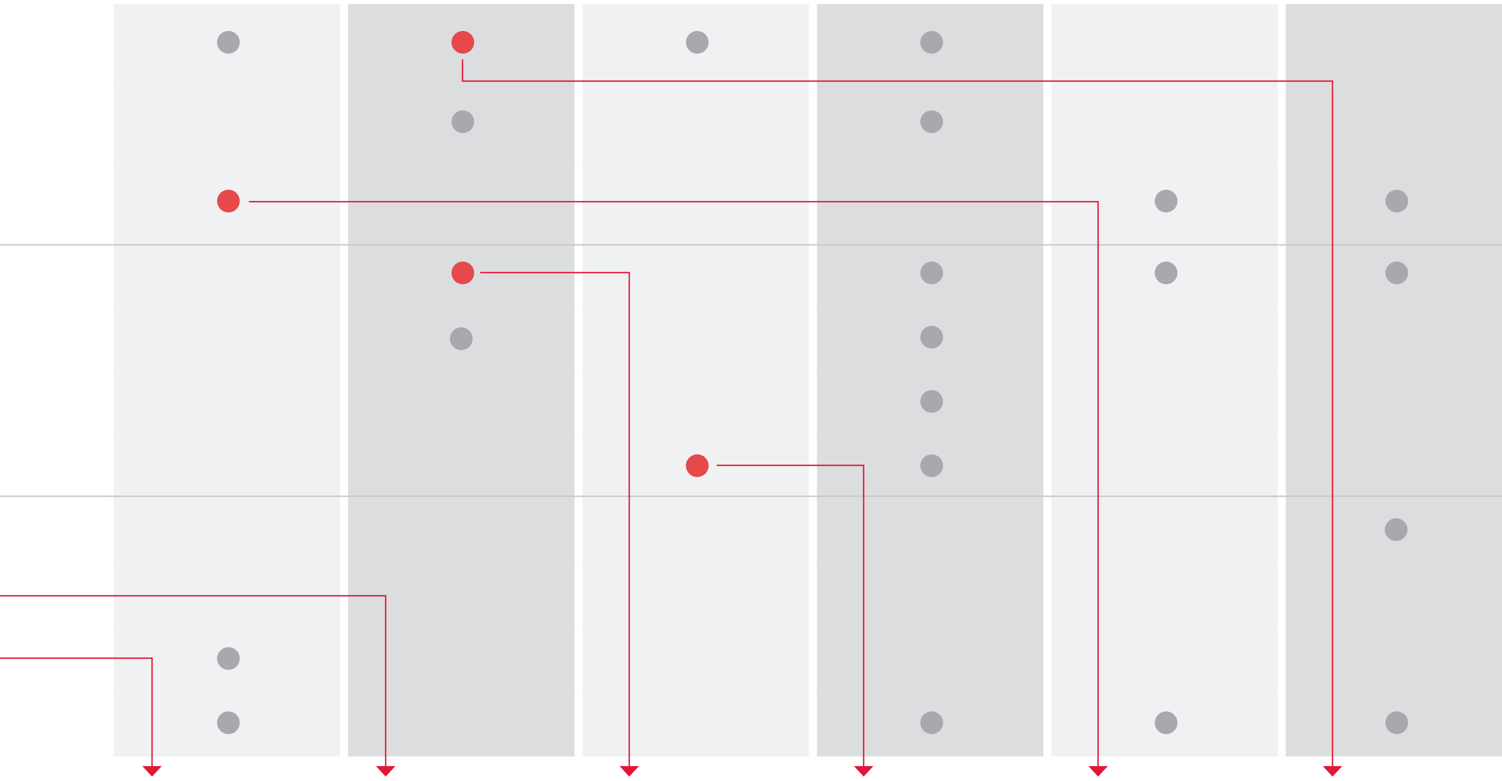
Provision of expert individuals, to be part of a team managed by the customer.

Applied research

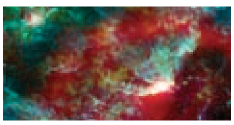
Management/execution of scientific investigation work aimed at specific objectives.

Studies and analysis

Self-contained studies, consultancy and analytical work, excluding scientific research with a defined output (report, recommendations etc.).



SEA provides scientific space missions with high integrity electronic hardware



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Planck image of a region in the Orion Nebula

SEA has deep knowledge of underwater systems and is providing the external communications system for the UK's Astute submarines

© Crown copyright/ Royal Navy 2009

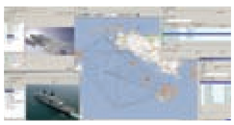
SCS provides contractors to support deployed operations

© Crown copyright/RAF 2010

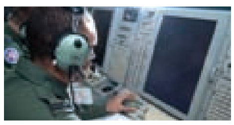
SCS provides a substantial training contract to support the UK's Permanent Joint Headquarters

© Ministry of Defence

The THURBON™ product, developed by MASS, is a powerful EW database system



MASS provides operational support to customers' EW capability



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Overview

Our strategy

We are actively preserving the high-growth potential of innovative, independent businesses.

Our mission

Creating value for our shareholders and customers in our markets, including **defence**, security and related areas where we can apply our high technology skills to deliver **growth** through the innovation, agility and responsiveness of smaller independent businesses in a framework of **stability** and the benefits of knowledge, access and cooperation provided by the wider Group.

Our strategy

- Maintain investor confidence and ensure good corporate governance
- Consistently grow profits and cash generation organically
- Increase the diversity and profitability of the Group through selective acquisitions

Delivered by...

Good governance and control

1. A framework of financial control, strategy review, performance management and leadership development
2. Clear and consistent communication
3. Ability to act fast if problems arise

Strong performance of subsidiary businesses

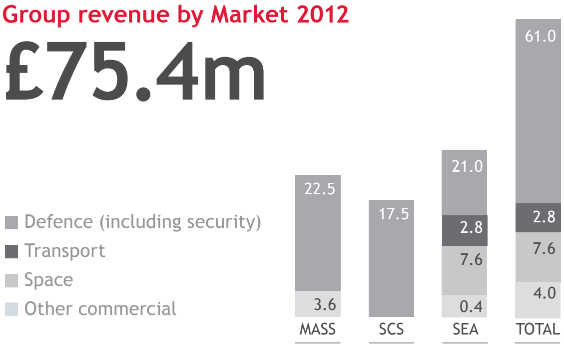
4. A focus on trusted delivery to our customers
5. Encouraging innovation and responsiveness with a low cost base
6. Identifying and pursuing growth opportunities
7. Developing high quality leadership teams and a high performance culture

Growth through acquisition

8. Proactive engagement with businesses that can add value to the Group
9. Maintaining a strong acquisition team
10. Demonstrating a structure and culture that is attractive to potential sellers

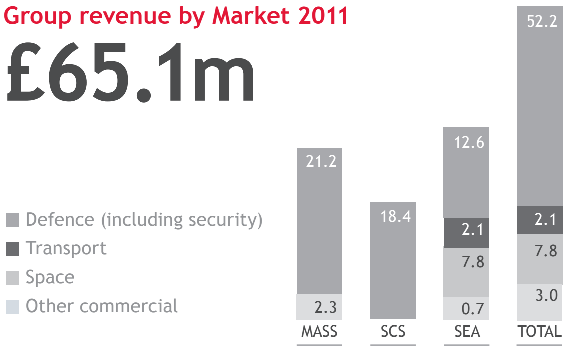
Group revenue by Market 2012

£75.4m



Group revenue by Market 2011

£65.1m

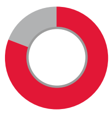


The markets we serve

Defence

All of our businesses operate to a large extent in the defence market, including security. Customers include UK MOD, NATO and a range of other national customers in Europe and the rest of the world.

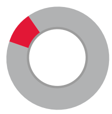
Defence revenue
£61.0m
(2011: £52.2m)



Space

SEA has a strong capability in satellite sensors and operating systems, from research and development through to product design, delivery and support.

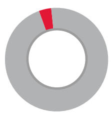
Space revenue
£7.6m
(2011: £7.8m)



Transport

SEA provides information system solutions to both rail and road infrastructure customers and develops, supplies and supports camera enforcement systems.

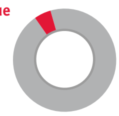
Transport revenue
£2.8m
(2011: £2.1m)



Other commercial

Includes education information systems and support provided by MASS, as well as other technical solutions and support to various commercial customers by all of our businesses.

Other commercial revenue
£4.0m
(2011: £3.0m)



Business review
Chief Executive's review

The Group has consolidated the improvements made last year, achieving continued profits and laying further foundation for future growth.

Andrew Thomis
Chief Executive

Adrian Scarbrough Photography © 2012

> "Cohort has a very good position on a number of UK MOD's long term key programmes."

In summary

SEA secured the external communication systems for further Astute platforms.

MASS's key position on the EW Data Management System (SHEPHERD) for the UK provides it with a launch pad for securing export opportunities.

SCS has made good progress in expanding its range of work, especially in the air domain.

Further work to be done at SEA to enable it to achieve its full potential.

2011/12 has been a year of continued progress for Cohort in which we have consolidated the improvements made in 2010/11 and laid the foundations for future growth. I am pleased to say that in doing so we have also delivered a much better level of profit and cash. Work still needs to be done to improve performance in some areas, but we have achieved much of what we set out to do at the beginning of the year.

SEA

At the Group level, a lot of our focus has been on restoring profitability at SEA. Simon Walther and I have worked closely with Steve Hill, the Managing Director of the business, to monitor progress on SEA's change programme. I have been very pleased with progress in a number of delivery areas, where SEA has been able to improve its business performance without losing the strong technology focus that its customers rely on. Notably we have seen real positive change on the External Communications System (ECS) that SEA is developing for the UK's Astute Class of nuclear submarines, the scientific research work we have been doing for the Defence Science and Technology Laboratory, and some of our sensor processing products such as the Roadflow traffic enforcement system. In other areas there is still work to do to reach SEA's true potential, and these will continue to see a Group focus in 2012/13.

SCS

SCS has performed well against the background of a challenging market. With the UK MOD making significant civilian and armed forces redundancies, there has been an understandable caution about making use of external support services, and the scrutiny regime that has been introduced has made winning new contracts, or renewing existing ones, increasingly difficult. SCS has taken action to deal with this situation on two fronts. Firstly it has adjusted its management structure to improve effectiveness and reduce costs, improving profitability. Secondly it has systematically sought to widen its customer base. This has already shown positive results, with services provided to the

Olympic Delivery Authority and the Defence Airworthiness Team. Our aim is to build on these and add further new customers this year.

MASS

MASS's unique capabilities have been strongly in demand, and it has again delivered a record year. Strong growth in MASS's work on secure networks, notably in its new Education market, and a good start to the strategically important EW data management system SHEPHERD (where MASS is teamed with Logica), have more than compensated for some delays to certain export contracts. These are always hard to predict, although the rewards in such markets can be high as there is both a real customer need and the resources to do what is required.

A combination of investment in new technologies, access to unique skills and careful husbanding of resources has once again enabled MASS to deliver a very strong operating margin, enhanced even further this year by some one-off factors. MASS is now well placed to grow its export activities. Once again, though, as always, this is subject to timing uncertainties.

Operating strategy

Cohort's strategy is to allow its medium-sized subsidiary businesses a significant degree of operational autonomy in order to fully develop their potential, while providing light-touch but rigorous financial and strategic controls at Group level. Our experience is that our customers prefer to work with businesses where decision-making is streamlined and focused on solving their immediate problems. This model provides us with a degree of competitive advantage over some larger rivals where every decision is subject to a careful and often lengthy evaluation of whether it impacts on some other aspect of their business. It is also cost-effective as it avoids the need for additional layers of management involved in coordination activities and for a large headquarters team. It is also attractive to high calibre employees who find it more rewarding to be involved in decisions affecting the business, even at a relatively junior level, rather than being constrained to a narrow or purely technical role. This approach is not necessarily optimised for very large prime contracts where co-ordination of large teams through repeatable and enforceable processes can be more important than speed or innovation. But, it positions us well to supply systems and services into our customers where these attributes are highly valued.

The international defence market has seen sweeping technological and organisational change over the last twenty years. Important factors in this have been the geopolitical changes following the end of the Cold War, the emergence of new threats with a very different character and, notably, the proliferation of advanced information technology, both in the form of military systems ("network-enabled capabilities") and in the wider community. In some areas this has led to greater standardisation and the introduction of very large systems – for instance the UK's Defence Information Infrastructure. But there has also been an increasing realisation that modern threats, whether in the form of improvised explosive devices or computer viruses, evolve much too quickly for traditional command and control structures to adapt. There is therefore a continuing need for smaller, innovative organisations that can react quickly to change, and this is a need that Cohort aims to fulfil. Our strengths include the rapid development of specialist technology, cyber security and operational support, often in demanding and fast-paced environments. All of these capabilities see strong demand, and increasingly we find that they are valued in markets beyond UK defence.

Segmental analysis by capability

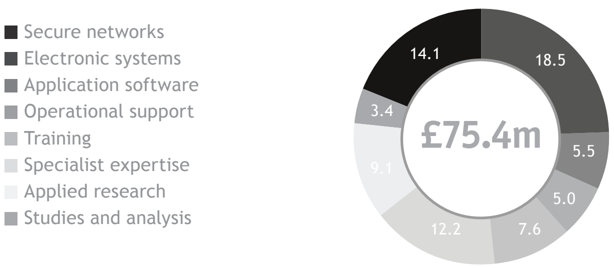
We have provided a new breakdown of the Group's activities this year (see page 10) and I believe this provides a clearer picture of the breadth and nature of our capabilities. These include:

- Secure networks: the provision of advice and system implementation to protect against cyber attack and other threats. Both MASS and SCS provide these services for a range of clients.
- Electronic systems: the design and supply of such equipment and its associated embedded software, as well as the integration of commercial "off the shelf" equipment for specialist applications.
- Application software: the design and supply of specialist software systems such as MASS's work on Project SHEPHERD and SEA's work for its transport customers.
- Operational support: the provision of direct support to active operations which takes place at both MASS (including its Electronic Warfare Operational Support activities) and SCS.
- Training: this includes formal, on-the-job and scenario-based training services. An example is SCS's provision of exercise-based training for the UK's Permanent Joint Headquarters.
- Specialist expertise: the provision of expert individuals as part of a customer's team. All three of our businesses are active in this area, most notably SCS.
- Applied research: the management and execution of scientific investigation work aimed at specific objectives, such as SEA's leadership of the Expeditionary Logistic Support research programme for MOD.
- Studies and analysis: other self-contained studies, consultancy and analytical work such as SCS's Hazard Analysis work on the Joint Combat Aircraft.

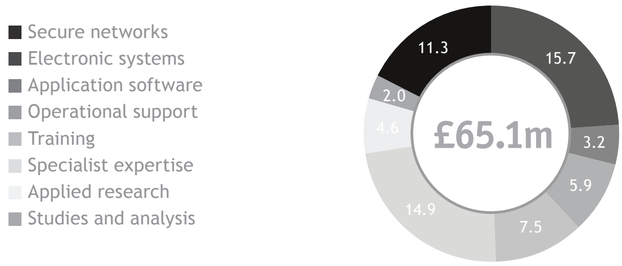
The largest area of the Group's activity in 2011/12 was electronic systems, which grew strongly driven by SEA's work on the Astute ECS. Also very important for the Group and growing fast were the secure networks area,

Business review
Chief Executive's review continued

Group revenue by Capability 2012 (£m)



Group revenue by Capability 2011 (£m)



Segmental analysis by capability (continued)

where MASS's education work increased in pace, applied research, where SEA had a very strong year, and application software, driven by MASS's work on SHEPHERD. The studies and analysis area also increased significantly, with both SCS and SEA making good progress. In contrast, the specialist expertise area, although still significant, showed a sharp drop compared to 2010/11 as the UK MOD's tightened contracting processes affected SCS's ability to win this kind of work. Our operational support activities also saw what we expect to be a temporary reduction as one of MASS's export contracts reached a successful conclusion.

Robust financial position

Cohort has been strongly cash generative this year and we have taken the opportunity to retire all of the Group's outstanding debt. This financial strength enables us to invest in internal R&D or other valuable projects on a carefully targeted basis as well as to reward shareholders by continuing to operate our progressive dividend policy.

Acquisition strategy

We need to consider all of the options for employing our cash resources, not least as the current return on cash is very low. One such option is to make further acquisitions, either of small businesses that can be "bolted in" to one of our existing subsidiaries, or of more mature businesses that could become Group members in their own right. The Abacus acquisition in 2010 proved successful both in terms of its immediate financial return and the access it has provided for MASS into new markets. We will continue to investigate these and we will be prepared to act where we believe that an acquisition provides a good opportunity for accelerated growth at an acceptable level of risk.

Our people

I would like to add my thanks to those of Nick Prest to the management and employees of the Cohort Group this year. We are very much a people business and such success as we achieve is entirely due to the technical excellence, managerial skills and business acumen of our people. I am very grateful for the many examples of hard work and dedication I have seen, from the senior management group to individuals and teams delivering what our customers need.

Outlook

The large majority of Cohort's revenue derives, either directly or indirectly, from public sector spending, primarily in the UK. The shape of the UK's planned defence acquisition reforms is not yet clear. Against a backdrop of sluggish economic growth, instability in the Eurozone and a large public sector deficit, our market undoubtedly faces challenges.

That said, there are indications that the UK defence market has stabilised. The Secretary of State for Defence has announced that the defence equipment programme has now been matched to the resources available, and the reductions in the size of the MOD and the armed forces are well underway. A significant part of Cohort's revenue derives from well-funded defence capabilities that have emerged from the government's Strategic Defence and Security Review, and the subsequent adjustments, with their strategic rationale maintained or enhanced. Submarines, the nuclear deterrent and combat aircraft are good examples. We are also increasingly active in export markets where the need for defence equipment is much more acute, and the resources available much greater, than in Europe. We have succeeded in growing our order book in 2011/12. That and the immediate pipeline of opportunities give a degree of confidence that we can continue to make progress in 2012/13.

Andy Thomis
Chief Executive

Business review
Operations reviews

Business review
Operations review: MASS

MASS has concluded another strong year with trading profit growth of 14% to £4.83m and sales revenue increased by 11% to £26.1m. All three of the Company's divisions, Managed Services, Systems Development and Electronic Warfare Operational Support (EWOS), performed well. This performance was our best year ever, which is especially pleasing given the economic climate in the UK and reduced public sector spending.

An increasing proportion of sales revenue (14%) (2011: 9%) originated from non-defence related activities, while 17% of total revenue came from export markets either directly or via prime contractors during the year. A number of projects reached a successful conclusion in the course of the year, allowing a release of contingencies that contributed to an especially strong margin performance.

The Managed Services Division operates across the defence, security and education markets providing information technology and specialist technical services. In defence, we have retained or expanded our in-service support contracts, which provide critical support to front line forces and UK strategic operations. As an illustration of this, for the Sentry Whole Life Support programme at RAF Waddington, we have been awarded a five-year extension to the managed IT service contract, and the scope of the support has been extended to cover the software team. In education, we have continued to grow the provision of information communications technology (ICT) services and solutions to schools and colleges, which are transforming the way that education is delivered. Our collaboration to equip schools in North Lincolnshire continues well, with the successful completion of two additional schools. We have also successfully delivered the solution at London's Kensington and Chelsea college and, more recently, been selected by Aston University Engineering Academy, the UK's first University Technical College, as their ICT partner. This further consolidates our position as a leading system integrator of ICT solutions for educational establishments. Looking forward, cyber security is becoming increasingly important and the capability to design and support secure networks at the highest levels have been a core competence of MASS for over 15 years. Building on this pedigree, we are developing cyber consultancy and training services and secure cloud solutions to satisfy the growing demand in both the private and public sectors.

In our Systems Development Division, project SHEPHERD, the UK MOD's upgrade of a major information system at the Defence EW Centre, is progressing well. This important programme, for which MASS is teamed with Logica, has MASS technology at its heart in the form of the THURBON™ EW data management system. This application affirms THURBON™'s position as a world-leading next-generation system with substantial export potential. Elsewhere our strong relationship with Thales continues, with our focus on integrated test solutions in support of programmes including Air Tanker, the Chinook Mk6 and new communication product developments. For UK MOD and other customers, we have continued to provide solutions and support for mine hunting, counter IED, wireless technologies and other special projects. Throughout the year we have invested in research and technology development to position MASS for future opportunities, particularly in the areas of secure communications and EW. We also continue to invest in the development of THURBON™.

The Electronic Warfare Operational Support Division has continued to deliver EW training courses and specialist EW technical services to customers in Asia, Europe, and the Middle East throughout the year. We have provided operational and technical training covering the air, land, maritime and cyber domains as well as provided advanced EW training support for equipment suppliers such as Selex Galileo and Thales. Our unique expertise is increasingly important as a discriminator for combat aircraft prime contractors, such as BAE Systems and Saab, in their platform sales activities. In 2011/12 we brought one major contract to a successful conclusion, and we are in discussions to agree the scope and timing of follow-on work for the same customer. With this and other opportunities, the division has a strong order intake pipeline, although the nature of these makes their timing hard to predict. We continue to develop new techniques and technology for the future, and will soon be opening a new advanced EW training facility in Lincoln. The capabilities and customer relationships taken on through the acquisition of Abacus EW in 2010 have been fully integrated into the division and have continued to make a positive contribution to the business.

Customer relationships are very important to MASS and we continue to receive very positive customer references across all our activities, reflecting the high calibre of our people, strong technical capability and positive attitude. We enter 2012/13 with an order book of £70m and a strong pipeline of prospects. Although the tightening of government spending both domestically and in some export markets contributes to an uncertain environment, we continue to see the potential for growth across all three divisions. In support of this we have been investing in our facilities, with the recent expansion of our offices in Lincoln and the opening of a new dedicated EW training facility in the near future. In the longer term, continued demand for our offerings and strong customer relationships suggest that the outlook is positive.

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"Following another strong year MASS enters 2013 with an order book of £70m and a strong pipeline of prospects."

Ashley Lane
Managing Director, MASS

MASS

		2012 £m	2011 £m
Revenue by Market	Defence and security	22.5	21.2
	Transport	—	—
	Space	—	—
	Other commercial	3.6	2.3
		26.1	23.5
Revenue by Division	EWOS	4.3	6.1
	Managed Services	14.3	11.7
	Systems Development	7.5	5.7
		26.1	23.5

Northrop Grumman extends MASS partnership on Sentry Whole Life Support Programme

MASS has been awarded a five-year extension to its managed IT service contract for the Sentry Whole Life Support Programme (WLSP) at RAF Waddington. The scope of the support contract has also been extended to cover the Sentry Software Team.

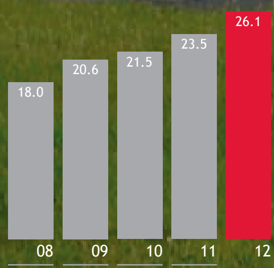
The WLSP programme is a unique partnership between the UK Ministry of Defence (MOD) and industry partners forming the Joint Sentry Support Team (JSST). The team is led by Northrop Grumman with MASS, AAR, BAE Systems and Cobham Aviation services working together as partners to support and maintain the availability of the UK's fleet of Airborne Warning and Control System (AWACS) aircraft.

MASS is trusted to provide and manage all aspects of the IT systems and secure shared data environment, and is responsible for ensuring that Northrop Grumman and its JSST partners can each work within their own corporate guidelines, whilst still being able to share classified information.

MASS revenue (£m)

£26.1m

+11%



MASS adjusted trading profit (£m)

£4.8m

+14%

Business review
Operations review: SCS

In the face of continuing austerity in its traditional UK defence markets, SCS preserved its existing business, increased its profitability, and began to make inroads into some key adjacent markets.

Despite revenue of £17.5m being 5% down on the previous year, operating profit at £1.3m was 30% higher. In some respects, this was the result of efficiencies introduced at the start of the year, and the earlier reduction in operating divisions from eight to four. Efforts to increase profits continued throughout the year, though, with a focus on winning business with higher profit margins, and delivering projects with maximum efficiency. Alongside this, financial management was very strong, resulting in very low work-in-progress and debtor balances throughout the year, which enabled the business to generate strong cash flow. During the year, a smaller but more effective management board was established, resulting in a leadership team that is highly motivated and well equipped to take the business forward.

Three important contract wins were particularly welcome this year. In open competition at the start of the period, SCS won the contract to exercise and test security governance for the London Olympic Games. This was completed on schedule, and won ministerial praise. In the autumn, and again against fierce competition from much bigger contenders, SCS was awarded the contract to perform the Hazard Analysis for the Joint Combat Aircraft. Finally, in March 2012, SCS successfully expanded its presence on the MOD's Framework Agreement for Technical Services (FATS) to 40% of its capability categories, up from 30% in the previous iteration. This was a particularly notable achievement, in that many larger companies failed to maintain their positioning on this important framework. SCS traded some £8m through FATS during the year.

Turning to divisional activities, the Logistics and Engineering business was perhaps the hardest pressed, as a result of efficiencies and cuts in the MOD's Defence Equipment & Support (DE&S) organisation. The first half of the year was very good, with excellent business capture and delivery performance. Orders performance in the second half, however, was much weaker because of embargoes on manpower substitution and an emphasis on competition, even for contract renewals. Little business was lost to others, and there is some indication that demand might tentatively return in the coming year. Nevertheless we see the best route to growth in this division as longer-term contracts with new business partners from the defence industry and the consultancy sector, and we are actively seeking these.

The Training Support business benefited from the Olympics Security work, which was delivered on time and to budget, in an extremely complex stakeholder environment. This now gives SCS an important new credential for support to major civil events. This contract was delivered by the same team that supports the long term commitment to the MOD's Permanent Joint Headquarters to deliver major exercise support, and this meant that good economies of scale were realised, with good utilisation of all the team members. We believe these capabilities are highly exportable.

The Complex Systems business was very successful, maintaining its positioning on all of its major contracts. These include the Land Environment Air Picture Provision (LEAPP) programme, the Defence Targeting Toolset (DTT), and support to the Automated Sense & Warn (AS&W) equipment in Afghanistan. LEAPP, DTT and AS&W are all contracted to the MOD via major prime contractors, for whom SCS's expertise, which is both practical and highly technical, has become indispensable. In addition, revenue through SCS's framework contract with NATO's Consultation, Command & Control Agency increased steadily throughout the year, and this is expected to continue.

Finally, the Information and Communications Services business had a very good year. Its legacy business, supporting programmes such as the Defence Information Infrastructure and the Land Systems Reference Centre, was steady if unspectacular. The initiative to win business in the MOD's Air sector, however, was very successful. The Joint Combat Aircraft contract mentioned earlier was followed by a further contract, worth nearly £1.0m, to support the Airworthiness Team in DE&S. This places the division on an excellent growth profile for the coming year.

Home markets for SCS's services continue to be difficult. We will aim to defend our market share while pursuing selected opportunities with new MOD customers and in other adjacent markets. Some headway has already been made with international clients, and initial contracts have been won in the Middle East. Good relationships are being developed with major prime contractors, and these will greatly facilitate – and de-risk – SCS's international aspirations.

SCS has continued the growth in profits that was established in the previous year. Margins have been protected despite the tough market, and overheads are under firm control, reducing by 13% during the year. The Company is now led by an able and effective management team, with a focus on business development.

Much of the Company's business still has a short order-to-delivery cycle, which makes performance difficult to forecast, but the initiative to pursue larger, longer-term business is beginning to produce results. This, along with a gradual reduction in reliance on the UK MOD, will secure a much more robust future for SCS. Our objective is to deliver growth in both revenue and profit in 2012/13.

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"SCS preserved its existing business, increased its profitability and began to make inroads into some key adjacent markets."

Bill Bird
Managing Director, SCS

SCS

		2012 £m	2011 £m
Revenue by Market	Defence and security	17.5	18.4
	Transport	–	–
	Space	–	–
	Other commercial	–	–
		17.5	18.4
Revenue by Division	Complex Systems	4.0	5.3
	Information & Communication Services	4.8	3.3
	Logistics	4.4	7.0
	Training Support Services	4.3	2.8
		17.5	18.4

SCS in support of MOD Air

At the start of the year, SCS delivered recommendations regarding future structure to the Combat Air Group within the MOD's Defence Equipment & Support (DE&S) organisation. This positioned the Company well to successfully compete for a contract to support the Hazard Analysis for the Joint Combat Aircraft, and the work is now nearing successful completion.

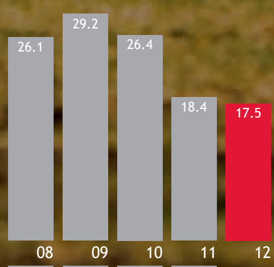
This gives the Company strong credentials, and real momentum, in many aspects of military airworthiness, ranging from the technical aspects – engines, airframes and avionics – to the regulatory dimension, and the degree to which other nations' approvals regimes are compliant with UK requirements. This has resulted in a further contract, to support the DE&S Airworthiness Team in the development of the military air safety standards framework.

This is an exciting development for SCS, with over £2m of contracts won during the year. The Company is establishing a significant capability for independent test and evaluation, and there is a strong focus on growing this part of the business.

SCS revenue (£m)

£17.5m

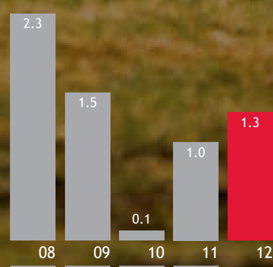
-5%



SCS adjusted trading profit (£m)

£1.3m

+30%



Business review
Operations review: SEA

This has been a year of recovery for SEA, which has seen the changes made at the start of the year begin to have a positive impact on the performance of the business, enabling us to deliver a trading profit in line with our expectations. We have also achieved a very strong order intake which, at £38.5m, has increased our order book by almost 30%, providing a strong basis on which to continue to build the business.

Sales revenue, at just under £32m, is our best performance to date and is an improvement of 37% on last year. A major contributor to this has been the work we have undertaken in the research domain, although the improved performance across the business has also provided an important contribution. Our operating profit at £1.7m, while showing a significant improvement on last year, has been diluted by the low margin, legacy programmes that we are working to deliver. We expect the majority of these to be completed during the coming financial year with their relative impact expected to be lower.

Our Communication Systems team has made significant progress during the year. Its key project, the External Communications System (ECS) for Astute Boat 4 (Audacious) has passed its First Article Tests (FAT), a major milestone on the project. The system will now be integrated with the full combat system, before being finally commissioned into the boat. During the year we were awarded contracts to supply two further ECS systems, one for Astute Boat 3 (Artful) and the other for Boat 5 (Anson). Work is well underway on these, with initial equipment for Artful already delivered to BAE Systems. In designing ECS, we are working to ensure that it is both scalable and flexible, such that it can meet the needs of both the surface and submarine fleets in the UK and overseas. A further success during the year was our selection, as part of a team lead by Babcock Marine, to design a submarine communications buoy for the UK MOD.

We continue to be a core member of the Submarine Support Management Group, which works with the MOD to support the in-service submarine fleet. During the year we have been successful in building our scope of supply in this area, winning contracts to provide configuration management and equipment support services to the UK Naval sector.

Our research activities have performed very strongly during the year, with our teams leading two major research programmes. Working with our partners we have been able to deliver to our customer, the Defence Science and Technology Laboratory (Dstl), high quality outputs, which are supporting current operations as well as informing future equipment needs. Following publicity on some of the work we had undertaken for the UK MOD, we were contracted by the government of Australia to perform an analysis of their requirements management activities.

Within our Information Systems, Simulation and Training team our key successes have been the award of Network Rail Online Logistics (NROL) contract as well as winning our first two training systems export contracts. The development of these is progressing well with the first of the training systems delivered to the customer ahead of schedule.

At the start of the year we formed a dedicated product team, with the objective of developing and exploiting SEA's capabilities. Our first area of focus was Roadflow, a civil traffic enforcement system. As a result of investment to improve the product as well as more focused sales activities, we have seen the volume of systems sold double in the year. We anticipate further growth in the coming year as this market continues to grow and we move from the UK into export markets.

Looking forward we intend to focus our investment this year into a novel application of commercial 3G technologies which we believe has applications in the defence and security markets.

Within our Space team we have achieved important milestones on the Earthcare and Bepi programmes. The successful delivery of these programmes will provide us with solutions that can be re-used. We are already discussing the application of these on future programmes.

The change programme, initiated last year, is starting to deliver benefit to the business and has been an important factor in the improvement in our performance. The main areas of focus in this have been: an improvement in our project management through improved process, controls and training; an organisational structure which is focused on delivering our core capabilities; and a drive to reduce our overhead cost base. All of these are progressing well with clear improvements in our project delivery as well as our ability to detect problems early. Despite the progress made during the year there is still more to be done and these areas will remain our focus for the coming year.

I believe that as a result of the efforts of the SEA team to improve its performance and our strong order book, we are well placed to continue our recovery during the coming year.

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"As a result of the SEA team's efforts to improve performance and its strong order book, SEA is well placed to continue its improvement during the coming year."

Stephen Hill
Managing Director, SEA

SEA

		2012 £m	2011 £m
Revenue by Market	Defence and security	21.0	12.6
	Transport	2.8	2.1
	Space	7.6	7.8
	Other commercial	0.4	0.7
		31.8	23.2
Revenue by Division	Aerospace	7.6	7.8
	Communication Systems	6.1	4.1
	Sensor & Information Systems	15.1	9.4
	Sensor Processing Products	3.0	1.9
		31.8	23.2

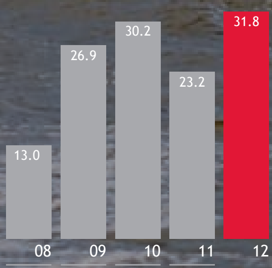
SEA has secured new contracts to provide its External Communication System (ECS), which it is currently under contract from BAE Systems to develop for Astute boat 4 (Audacious), for two further Astute boats (Artful & Anson).

During the design of the ECS system, SEA working with its customer BAE Systems has designed the system to ensure that it provides the UK MOD with an open and flexible architecture. This will ultimately lower the operational cost of the system and enable it to have utility on a wide range of platforms both in the UK and overseas.

SEA revenue (£m)

£31.8m

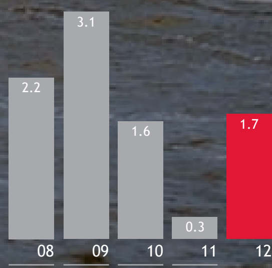
+37%



SEA adjusted operating profit (£m)

£1.7m

+467%



Business review
Finance Director's review

Simon Walther
Finance Director

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In summary

The Group repaid all of its debt during the year.

The Group's net funds of £14.1m (2011: £6.7m) and its facilities provide it with the firepower to make investments.

The Group's working capital has reduced further but more work to be done at SEA.

The Group's earnings per share benefited by 2.48 pence from a prior year tax credit.

This review details the significant financial issues arising during the year ended 30 April 2012.

Aspects of the income statement warranting further explanation

Adjusted operating profit

The adjusted operating profit is presented to reflect the trading profit of the Group and excludes amortisation of other intangible assets, exchange differences on marking forward exchange contracts to market at the year end and exceptional items. This enables the Group to present its trading performance in a consistent manner year on year. The adjusted operating profit is stated after charging the cost of share-based payments of £353,000 (2011: £317,000) which is allocated to each business in proportion to its employee participation in the Group's share option schemes. The segmental analysis (see note 1) is disclosed for each business after deducting the cost of share-based payments.

The exchange adjustment on marking forward exchange contracts to market at the year end is a requirement of IFRS and has no economic impact upon the Group's performance or assets and liabilities and is described further below.

Exceptional items (see note 3)

The Group incurred minor restructuring costs in the year ended 30 April 2012 and in this particular case are considered to be part of the ongoing business of the Group and, as such, have not been disclosed separately.

Tax

The Group's tax credit for the year ended 30 April 2012 of £411,000 (2011: credit of £65,000) was at an effective credit rate of 9.9% (2011: credit rate of 2.4%) of profit before tax. This includes a current year corporation tax charge of £1,268,000 (2011: £459,000), a rate of 30.5% (2011: 17.0%) of profit before tax, a prior year tax credit of £1,001,000 (2011: credit of £1,124,000) and a current year deferred tax credit of £678,000 (2011: charge of £600,000; consisting of £14,000 for the current year and £586,000 for prior years).

Including the current year deferred tax, the effective current tax rate for the year ended 30 April 2012 is 14.2% (2011: 17.5%), lower than the standard rate (calculated at 25.83%; 2011: 27.83%), primarily due to recognition of Research & Development (R&D) tax credits.

The Group's overall tax rate was significantly below the standard corporation tax rate of 25.83% (2011: 27.83%). The majority of the reduction in the effective rate of tax was due to the recognition of R&D tax credits at MASS and SEA for the year ended 30 April 2012 and a prior year corporation tax credit reflecting the release of a tax provision in respect of earlier years' R&D tax credits following closure of the 2009 and most of the 2010 tax years. The Group's businesses are only allowed to claim the lower R&D tax credit allowance available to larger companies, currently 30%. Looking forward, the Group's effective current tax rate for 2012/13 and 2013/14 is estimated at 16% and 17% respectively, taking account of the reduction in headline tax rates and assuming the R&D tax credit regime remains unchanged from its current level and scope. The Group maintains a cautious approach to previous R&D tax credit claims for tax periods that are still open.

Adjusted earnings per share

The adjusted earnings per share of 15.52 pence (2011: 9.60 pence) is reported in addition to the basic earnings per share and excludes the effect of amortisation of intangible assets, exchange movement on marking forward exchange contracts to market at the year end and exceptional items, all net of tax. The increase in the adjusted earnings per share of 5.92 pence from 2011 to 2012 includes a 2.48 pence effect of prior year tax credit (£1,001,000) resulting from the release of contingency in respect of closed tax years. The adjusted earnings per share excluding the prior year tax credit of 13.04 pence is 36% above 2011.

Capital structure of the Group and funding

The Group's access to capital comprises the following:

Share capital

The Group has in issue 40.8m ordinary shares of 10 pence each. Of these shares just under 0.4m are owned by the Cohort Employee Benefit Trust and waive their rights to dividends. In addition the Group has options over ordinary shares through Key Employee Share Option and SAYE schemes to the level of 2.9m at 30 April 2012.

The Group maintains a progressive dividend policy with dividends having increased by approximately 20% per annum over the last three years and dividend cover being maintained in the current year at over five times (2011: four times cover) based upon the adjusted earnings per share.

Treasury

At 30 April 2012 the Group had facilities with its banking provider, RBS, as follows:

	£m	Term at commencement of facility
Overdraft facility for working capital requirements	7.5	364 days

During the year ended and at 30 April 2012 none of the above facility had been drawn by the Group.

The structured debt of £3.0m and mortgages (£0.4m) were paid off in full in October 2011. At the same time the Group changed its overdraft facility: £2.5m was added to increase the overdraft facility to £7.5m, to provide greater capacity to manage working capital requirements, and the structured debt facility of £7.5m was cancelled. The overdraft facility is renewable annually in October and the Board expects this to be renewed on broadly similar terms in 2012.

The Group's foreign exchange exposure is mainly at SEA and primarily relates to receivables from the European Space Agency; this exposure is hedged using forward contracts. At 30 April 2012, the Group had in place forward foreign exchange contracts as follows:

	Sell	Buy
Euro to GBP	€11.6m	£9.8m

These forward contracts are used by the Group to manage its risk exposure to foreign currency on trading contracts where it either or both receives and pays currency from customers and suppliers respectively.

These forward exchange contracts are entered into when customer contracts are considered highly probable. The Group does not enter into speculative foreign exchange dealing. The marking of forward exchange contracts to market at the spot rate on 30 April 2012 resulted in the recognition of a derivative financial liability of £413,000 (2011: asset of £542,000) and a charge to the income statement of £955,000 (2011: credit of £595,000). In both years, the change in the derivative financial instrument has been recognised separately within operating profit and is not disclosed as part of the adjusted operating profit of the Group.

The Group takes a prudent approach to treasury policy with its overriding objective being protection of capital. In implementing this policy, deposits are held with institutions with credit ratings of at least A3. Deposits are generally held on short (less than three months) duration to maturity on commencement. This matches the Group's cash resources with its internal 13 week cash forecasts, retaining flexibility whilst trying to ensure an acceptable return on its cash. All of the Group's cash (that is not on short term deposit) is managed through a set-off arrangement enabling the most efficient use of the Group's cash from day to day, under the supervision of the Group's finance function.

The Group has changed the credit rating required from the institutions with which it places deposits from an A rating in 2011 to an A3 rating in 2012 in order to maintain its flexibility in the choice of banks it can use in the current economic climate. The Group regularly reviews the ratings of the institutions with which it holds cash and always considers this when placing a new deposit and does not consider the change to the lower rating a material increase in the Group's financial risk.

As noted last year, the Group's interest on deposits was low (typically below 1%) whilst its weighted interest on its debt was nearer 4%.

Business review
Finance Director's review continued

Capital structure of the Group and funding (continued)
Treasury (continued)
The Group repaid its debt in full in October 2011. Since then the Group has used more short term deposits obtaining interest rates of 0.5% to 2.1%.

The Group's liquidity remains good with profit conversion to cash remaining well above 100% (see KPIs on page 21). The Group has historically had low levels of working capital with many of its contracts being less than one year in duration and the reliability of its customer base making debt risk low. During 2012, working capital levels have fallen, as described below. The Group's reliance on its own cash and facility resources requires it to take a proactive approach with its primary bank, Royal Bank of Scotland plc, with whom it maintains a regular relationship.

Working capital
The working capital of the Group, defined as inventory plus trade and other receivables less trade and other payables, has fallen from £5.5m net assets to £4.2m net assets, a decrease of £1.3m (24%) despite an increase in revenue of nearly 16%. This improvement reflects the continued good efforts at SCS in managing its working capital, MASS reducing its working capital despite increased revenue, and although SEA's working capital did increase it was less than the increase in revenue. The year end debtor days (in sales) have decreased from 57 days in 2011 to 51 days in 2012. This calculation is based upon dividing the revenue by month, working backwards from April into the trade debtors balance (excluding unbilled income and work in progress) at the year end, a more appropriate measure than calculating based upon the annual revenue as it takes into account the heavy weighting of the Group's revenue in the last quarter of each year. The decrease in debtor days is a reflection of the tighter control over working capital across the Group.

The Group has a working capital facility of £7.5m with RBS which was not utilised during the year. The Group had cash at 30 April 2012 of £14.1m (2011: £10.2m). Advance receipts on contracts at the year end were £3.1m (2011: £3.2m). The Group generated £8.4m of cash from operating activities (operating profit was £6.5m before amortisation of intangible assets and marking forward exchange contracts to market at the year end) which was offset by an investment of £0.1m on fixed assets and £1.1m of dividends paid.

Areas of judgement
Revenue recognition on fixed-price contracts
The Group's accounting policy on revenue recognition explains this in detail (see page 73) as does the accounting judgement note (see page 75). The judgement applied in recognising revenue on a fixed-price contract is made by reference to the cost incurred, including contingency for risk and the demonstrable progress made on delivering key stages (often referred to as milestones) of the contract. The Group uses best estimates in applying this judgement and where uncertainty of progress on a stage exists, revenue is not recognised for that stage.

Cost contingency on fixed-price contracts
In addition to the judgement applied to revenue recognition, the cost of delivering a contract to a particular stage represents the actual costs incurred and committed plus an estimate of cost contingency for risk still present in the contract at that stage. This cost contingency takes account of the stage that the contract has reached and any judgement and uncertainty remaining to deliver the remainder of the contract. It is usual for these cost contingencies to reduce as the contract progresses and risk and uncertainty reduces.

Goodwill and other intangible assets
The Group has recognised goodwill and other intangible assets in respect of the acquisition of MASS (including Abacus EW) and SEA. The other intangible assets are in respect of contracts acquired, intellectual property rights and specific opportunities and in each case are amortised over the expected life of the earnings associated with the other intangible asset acquired. The goodwill, which is not subject to amortisation but to annual impairment testing, arises from the intangible elements of the acquired businesses for which either the value or life is not readily derived. This includes, but is not limited to, reputation, customer relations, contacts and market synergies with existing Group members. The goodwill relating to the acquisitions of MASS (including Abacus EW) and SEA has been tested for impairment as at 30 April 2012. In both cases there was no impairment. The impairment test for the goodwill in respect of SEA is more sensitive with no impairment at the Group's pre-tax WACC of 12.6% but impaired if the Group's WACC increases to 20.9%. The factors affecting the Group's WACC are discussed further in the Group's accounting policies (see pages 70 and 75 to 76). The Group's pre-tax WACC at 30 April 2012 of 12.6% is lower than 2011 equivalent of 15.5%. This decrease reflects a lower risk free interest rate partly offset by higher equity risk.

The sensitivity of the SEA goodwill to impairment has reduced since last year due to the improved forecast cash flows of SEA.

Provisions
The Group makes estimates of provisions for existing commitments arising from past events. In estimating these provisions, the Group makes judgements as to the quantity and likelihood of the liability arising. Certain provisions require more judgement than others. In particular warranty provisions and contract loss provisions have to take account of future outcomes arising from past deliveries of products and services. In estimating these provisions, the Group makes use of management experience, precedents and specific contract and customer issues.

The vendor earn out in respect of Abacus EW should be concluded in the year ended 30 April 2013. The situation at 30 April 2012 is uncertain and, as such, the Group has retained the earn out provision in full.

Tax
The Group makes judgements in respect of the recoverability of deferred tax assets. Where the recoverability through sufficient future taxable profits is considered remote, no deferred tax asset is recognised.

Accounting policies

There were no significant changes in accounting policies applying to the Group for the year ended 30 April 2012.

The indicators shown opposite have been identified by the Directors as giving the best overall indication of the Group's long term success. Revenue growth gives a quantified indication of the rate at which the Group's business activity is expanding. The adjusted profit trend provides an indication of whether additional revenue is being gained without profit margins being compromised and whether any acquisitions are value enhancing. Order book visibility, based upon expected revenue during the year to come, provides a measure of confidence in the likelihood of achievement of future forecasts. Change in adjusted earnings per share is an absolute measure of the Board's management of the Group's return to shareholders including tax and interest. Operating cash conversion measures the ability of the Group to convert profit into cash.

The Group's KPIs demonstrate clearly the improvement in revenue, adjusted operating profit and adjusted earnings per share.

The Group, as for 2011/12, enters 2012/13 with over half of its forecast revenue on order. As mentioned already, the Group has had another strong cash performance in 2011/12 with the operating cash conversion above 200% of profit before tax.

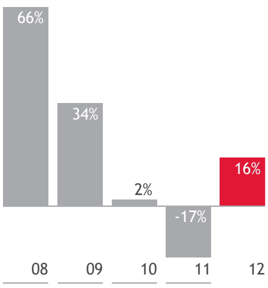
The significant increases in revenue, adjusted operating profit and adjusted earnings per share for 2008 was as a result of the acquisition of SEA.

Simon Walther
Finance Director

Change in revenue

16%

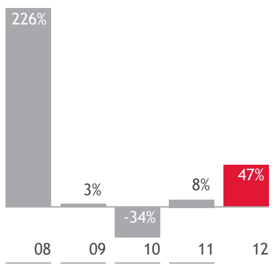
Description
Change in total Group revenue compared to the prior year.



Change in adjusted operating profit

47%

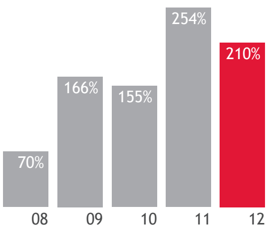
Description
Change in Group profit before tax, amortisation of other intangible assets, marking forward exchange contracts to market at the year end and exceptional items.



Operating cash conversion

210%

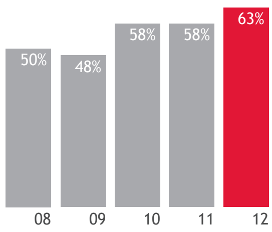
Description
Net cash generated from operations before tax as compared to the profit before tax.



Order book visibility

63%

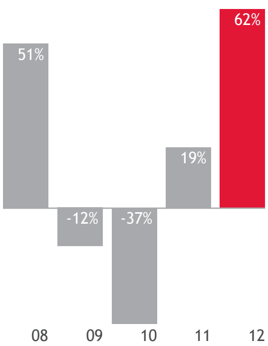
Description
Orders for next financial year expected to be delivered as revenue, presented as a percentage of consensus market revenue forecasts for the year.



Change in adjusted earnings per share

62%

Description
Annual change in adjusted earnings per share, before amortisation of other intangible assets, marking forward exchange contracts to market at the year end and exceptional items.



Business review
Risk management

Minimising risk and uncertainty
The business risks of the Group can be summarised as follows:

Risk area	Nature of risk	Mitigation
Market risks Customers	The Group's single most important customer is the UK MOD. £30.7m of revenue came directly from this source in 2012 (2011: £27.7m), 41% (2011: 42%) of Group revenue. In addition £22.6m (2011: £16.5m) of Group revenue, 30% (2011: 25%) was sourced ultimately from the UK MOD but received via other contractors. With the government running a significant budget deficit there is a risk that controls on defence expenditure could be introduced which could have an impact on the Group's ability to win new work, or could result in termination of its existing contracts. Any event that affected the Group's reputation with the UK MOD could put this revenue at risk.	The Group is reducing this reliance by expanding its overseas defence offering as well as other non-defence sectors, including space and transport. The Group ensures it engages at all levels of the UK MOD and remains responsive to its primary customer's needs. The increase in revenue to its ultimate primary customer in 2012 compared with 2011 reflected the Group's position on a number of key UK MOD programmes including ECS for Astute class submarines, electronic warfare databases and research frameworks in the areas of logistics and soldier capability. £14.1m (19%) of Group revenue, representing 26% of revenue derived from the UK MOD, was in relation to the Joint Combat Aircraft, Astute submarine and nuclear deterrent programmes, all of which have been confirmed as high priority areas following the government's Strategic Defence and Security Review.
Operational risks Suppliers	As is typical in the defence and space sectors, the Group is reliant on certain key suppliers for specific elements of its technical and product offerings. In the defence sector in particular, the reliance on suppliers is long term, with product duration in this sector often being tens of years.	This risk is managed through close liaison with suppliers, good project management and having contingency plans to go to alternative suppliers or bring work in-house. The long term life of many defence products requires a regular review of product life and capability and the Group supports the customer in this respect through funded ongoing product support and re-life tasks.
Operations	The Group's operational risk is primarily through its three subsidiaries. The subsidiary trading and business risks are similar in the cases of MASS and SEA.	
	MASS and SEA primary risks are: i. Bid risk – the businesses bid on contracts where the scope of work may not be well or fully defined by the customer.	This is typical in defence and space and is managed through bid/no bid reviews at the appropriate level using experienced personnel, including the Cohort Executive and Board.
	ii. Fixed-price contracts – these are often of a long term nature (greater than 12 months) and typically include delivery of hardware and software.	These projects are managed by dedicated project management, monthly review by the subsidiary board and regular interaction with the customer and key suppliers. Revenue and cost is recognised taking account of risk and estimated cost at completion, taking into account any contractual contingency.
	iii. Due to the nature of their niche technical skills requirement, both MASS and SEA have a fixed level of core software engineering and technical expertise.	This cost base is carefully monitored at budget time and by rolling quarterly forecasts to identify any potential risk of low utilisation and thus under recovery of cost. The risk is mitigated, in the short term, by the use of a small number of sub-contractor staff. In the long term, a programme of skills assessment and training is in place to ensure continued flexibility of the engineering resource.
	SCS The primary cost risk is in respect of staff utilisation. SCS revenue visibility is short with typical contract duration of three to six months. This carries risk to forward utilisation. The business maintains a comprehensive prospects schedule. This risk is also an opportunity, with SCS often securing and delivering work in a very short time frame.	This risk is managed by retaining a minimal core staff, essential for business support, development and delivering key skills to customers. The majority of deliverable service is provided by non-core staff (associates) where cost is only incurred when the associates are on task. The forward utilisation of core staff is monitored on a weekly basis looking forward up to two months.
	SCS has a small number of fixed-price contracts.	These projects are managed by dedicated project management, monthly review by the subsidiary board and regular interaction with the customer and key suppliers. Revenue and cost is recognised taking account of risk and estimated cost at completion, including any contractual contingency.
	The Group (through all three subsidiaries) operates a number of off-site managed service contracts. These contracts are long term in nature (typically five years at commencement) and are managed through dedicated site project managers. The contracts are fixed-price in terms of revenue with opportunities for additional tasks enhancing volume and return.	The Group carefully manages the partnership with its customer and supplier base in all these cases to ensure the customer receives value for money and skilled Group staff providing a dedicated, flexible and responsive approach. The primary risk to these managed service contracts is termination which is mitigated by the partnering approach adopted by the Group and our close engagement with the customer to ensure customer requirements remain paramount at all times.

Risk area / Nature of risk / Mitigation

Partners

Nature of risk

The Group, especially in the defence sector, often secures business through teaming and partnering with other suppliers and this is often a requirement of securing work with the UK MOD in order to ensure the end customer receives the best solution.

Mitigation

The Group takes an active part in these arrangements and, through regular (usually monthly) project review meetings and other correspondence, ensures that the team (including our partners) delivers as a whole to the customer and to the needs of the individual team members.

In addition, the Group's Executive Management team maintains regular and co-ordinated relationships with partners and ensures the Group's approach is consistent and avoids unnecessary overlap or omissions.

A number of the Group's key revenue streams are a result of the partnering relationship, as borne out by the increase in the revenue to the UK MOD via other contractors as well as the increased revenue through research framework agreements.

Financial risks

Treasury

Nature of risk

Cash and bank deposits are held as follows:

	2012 £'000	2011 £'000	Moody's credit rating of bank as at 24 May 2012
Royal Bank of Scotland Plc	**10,137**	6,733	A2
Santander UK	**3,000**	—	A2
Barclays Plc	**1,003**	—	Aa3
	14,140	6,733	

The Group's facilities with RBS are renewed annually.

During the year, the Group renewed its working capital facility with RBS for £7.5m (previously £5.0m). This facility is available to all of the Group's entities through an offset arrangement. The current facility expires in October 2012 when it is expected to be renewed on broadly similar terms.

The Group did not utilise this working capital facility during the year ended 30 April 2012 having an average cash balance in its offset facility of £8.0m, cash balances ranging from a low of £3.8m to a high of £12.2m.

The Group had no debt at 30 April 2012 other than commitments under operating leases.

Mitigation

The Group takes a very prudent approach to the management of its financial instruments which are described in note 17. The Group's cash is held with at least A3 rated institutions and on deposits usually not exceeding three months. This ensures a very low risk to capital and a reasonable balance of liquidity against interest earned on cash deposits.

The Group has reduced the minimum credit rating of its banking providers from A to A3 in order to maintain flexibility in the current market circumstances. This is not considered to materially increase the Group's financial risk.

The Group regularly reviews the ratings and other relevant factors in respect of the banks with which it deposits its cash and on each and every occasion that a short term deposit is placed.

The Group has regular (at least quarterly) meetings with its bank to discuss operational and other business issues and keeps the bank informed of progress.

Currency risk

Nature of risk

The Group has contracts with overseas customers and suppliers requiring payment or receipt in currencies other than £ sterling.

The Group's exposure to credit risk at 30 April 2012 in respect of financial derivatives (forward foreign exchange contracts) was £9.8m of receivable only (2011: £10.3m of receivable and £2.0m of payable).

The financial derivatives at 30 April 2012 were all held with RBS. These are disclosed in detail in note 20 to the financial statements.

Mitigation

The Group manages its exposure to currency risk by using forward foreign currency exchange contracts. The level of forward cover is determined contract by contract taking into account the net currency exposure to receipts and purchases. Forward contracts are only put in place when customer contracts are deemed highly probable. The Group does not enter into speculative forward exchange contracts.

The Group's primary exposure to the € is through SEA's Aerospace division which has most of its contracts denominated in €. Its exposure to non-contractual bids and quotes priced in € is managed by using appropriate levels of contingency in its pricing and force majeure clauses in quotes and contracts.

Revenue

Nature of risk

The Group has risk in respect of:

i. milestone and acceptance failure on projects; and

ii. unrecoverable trade debts.

The recognition of revenue is discussed at length in the Accounting Policies (page 73) and Critical Accounting Judgements (page 75) and as such may from time to time have a degree of risk.

The 2012 bad debt charge was £78,000 (2011: £43,000) on Group revenue of £75.4m (2011: £65.1m) and is gross of £81,000 (2011: £30,000) either no longer considered a bad debt or recovered and credited to the income statement.

Financial assets exposed to credit risk at 30 April:

	2012 £m	2011 £m
Trade receivables	**12.6**	13.2
Other receivables	**7.9**	7.1
Cash and bank deposits	**14.1**	10.2

Of the trade receivables, £5.1m was with the UK MOD at 30 April 2012 (2011: £3.5m).

Mitigation

The Group takes a prudent approach to revenue and credit risk, and any work done at risk is minimal, authorised at the appropriate level and reviewed on a monthly basis.

The Group uses project control processes and regularly reviews the project progress to ensure recognition of revenue takes account of external milestones and customer acceptance as well as the internal costs incurred.

The calibre of the Group's customers and the control processes in respect of revenue capture and invoicing ensures minimal bad debts.

The Group also uses letters of credit and other methods of payment guarantee, including customer advances, especially in respect of overseas customers, to ensure any export debt risk is minimised.

Significant debt receivable in foreign currency is hedged using forward exchange contracts which are entered into when contracts are deemed effective.

The risk to the major debtor of the Group, as a government department, is considered very low.

Strategic risks

Acquisitions

Nature of risk

The buying (and selling) of businesses is a risk in respect of value, distraction, integration and ongoing obligations and undertakings.

Mitigation

The Group's acquisition risk is mitigated as far as practicable by the acquisition process being managed at the Cohort Board level, making use of appropriate external expertise and resources as and when required.

Corporate governance
Board of Directors and Executive Management

1. Nick Prest CBE *+
Chairman

Nick Prest became Chairman of Cohort on flotation in March 2006. After graduating from Oxford in 1974 Nick joined the MOD. In 1982 Nick moved to Alvis, the defence contractor, undertaking a variety of roles before becoming Chief Executive in 1989 and Chairman and Chief Executive in 1996. Nick left Alvis following its acquisition by BAE Systems in 2004, by which time the company had become a leading international business in military land systems. In addition to being Chairman of Cohort, Nick is also Chairman of Shephard Group, a privately owned media company specialising in defence and aerospace, and was Chairman of Aveva Group plc until July 2012.

2. Stanley Carter *+
Co-Chairman

Stanley Carter became Co-Chairman of Cohort in 2009 having previously been its Chief Executive, a post which he had held since Cohort's formation in 2006. Prior to that he was Managing Director of SCS, which he founded in 1992 on leaving the Regular Army, which was acquired by Cohort at the time of its flotation. During his military service as a Royal Artillery officer he held a wide range of operational posts and staff officer appointments in the MOD, including the central staff, procurement, government research establishments and had significant interaction with industry. He also represented the UK on NATO technical committees. He has degrees in Technology and Behavioural Science from Loughborough and the Open University respectively, and an MSc in Information Systems from the Royal Military College of Science.

3. Andrew Thomis *
Chief Executive

Andrew Thomis graduated from Imperial College, London in 1987. He spent nine years in the MOD as a fast-stream civil servant, carrying out roles including technology research, scientific advice and a spell as a private secretary to the defence procurement minister. He left in 1996 and, following a period with Capita plc's management consultancy arm, he joined Alvis in a role covering strategy, M&A and business development. Following the acquisition of Alvis by BAE Systems in 2004, he worked with Nick Prest and Stanley Carter on the creation of Cohort plc, acting as Finance Director during the flotation and subsequently Corporate Development Director. Following two years as Managing Director of MASS he took over as Chief Executive of Cohort in May 2009.

4. Simon Walther *
Finance Director and Company Secretary

After graduating with a BSc from University College, London, Simon Walther went on to qualify as a chartered accountant with Touche Ross in 1992. Simon moved to the Peninsular and Oriental Steam Navigation Company (P&O) in 1993 where he was appointed a chief accountant for P&O European Ferries in 1995. In 1997 he was appointed Group Financial Controller at Alvis. He joined Cohort as Finance Director in May 2006, having considerable industry relevant experience with Alvis and BAE Systems.

5. Sir Robert Walmsley KCB *+
Independent Non-executive Director

Sir Robert Walmsley served in the Royal Navy where his final appointment was as Controller of the Navy and member of the Navy Board as a Vice Admiral. He was knighted in 1995. After retiring from the Navy, he was appointed as Chief of Defence Procurement, occupying that position from 1996 until 2003. He served on the British Energy Board from 2003 until 2009. He continues on the board of the General Dynamics Corporation and Ultra Electronic Holdings as well as being a senior adviser at Morgan Stanley International and Chairman of the Major Projects Association.

6. Ashley Lane
Managing Director of MASS

Ashley Lane graduated in 1991 from Surrey University with a Masters Degree (Distinction) in Electronic and Electrical Engineering. On graduation he joined Thorn EMI Electronics as a Systems Engineer working on countermeasures and electronic surveillance systems. He spent four years in technology development and licensing, building the successful wireless technology company UbiNetics. Ashley has held key technical roles on a number of electronics, IT and real-time system projects. He has held positions as Business Manager, Consultancy Division Head, Programme Manager and, for five years, Systems Development and Technical Director for MASS. Ashley was appointed as Managing Director of MASS in May 2009.

7. Bill Bird
Managing Director of SCS

Bill graduated from Cambridge with an MA in Medical Science. Following an aircrew career in the Royal Air Force, when he was awarded an MBE for his work in the Intelligence community, Bill spent 10 years in general management, gaining an MBA from Reading University in 2000. He was the General Manager of Rockwell's UK Defence business and spent three years as Managing Director of Boeing's UK subsidiary, BDUK, which he set up in 1996. Bill joined KPMG in 2000 and left to develop Hedra's defence and aerospace practice in October 2003. During his consulting career, Bill has had extensive experience of MOD procurement and support, outsourcing and commercial negotiations. Bill was appointed as Managing Director of SCS in September 2010.

8. Stephen Hill
Managing Director of SEA

Stephen has over ten years' senior managerial experience, predominantly in the international aerospace and defence sector. He began his career in 1983 at GEC Marconi as an electronics engineer, eventually becoming Business Director with responsibility for the land systems electro-optics business at Basildon. In 2000, he moved to Thales, where his roles included Managing Director of the Air Operations business at Wells, and Vice President with responsibility for the UK Air Systems Division. Most recently he was Chief Executive of CircleBath, a new venture capital backed private hospital in Bath. Stephen has a first class honours degree in Electrical and Electronic Engineering and a Masters in Engineering Project Management. Stephen was appointed as Managing Director of SEA in March 2011.

* Member of the Cohort plc Board
\+ Member of Remuneration & Appointments and Audit Committees

Corporate governance
Corporate governance report

Introduction

As Cohort plc is listed on AIM it is neither required to comply with the UK Corporate Governance Code that was published in 2010 by the Financial Reporting Council (the Code) nor issue a statement of compliance with it. Nevertheless, the Board fully supports the principles set out in the Code and seeks to comply wherever this is appropriate, having regard to the size of the Company and the resources available to it. Details are provided below of how the Company applies the Code.

The Board

The Board of Directors comprises the Chairman, two Executive Directors and two Non-executive Directors, Stanley Carter (Co-Chairman) and Sir Robert Walmsley. Nick Prest and Stanley Carter are not considered independent.

The Board has determined Sir Robert Walmsley to be independent and he is designated the Senior Independent Director.

The Board meets most months and receives a monthly Board pack comprising individual reports from each of the Executive Directors and the subsidiary Managing Directors together with any other material deemed necessary for the Board to discharge its duties. It is the Board's responsibility to formulate, review and approve the Group's strategy, budgets, major items of expenditure and acquisitions.

All Directors retire by rotation and are subject to election by shareholders at intervals of once every three years.

Corporate structure

The Board

Audit Committee	Remuneration and Appointments Committee
Chairman: Sir Robert Walmsley Members: Nick Prest Stanley Carter	Chairman: Sir Robert Walmsley Members: Nick Prest Stanley Carter

Nick Prest
Chairman

Corporate governance
Corporate governance report continued

	Board (11 meetings)	Audit (3 meetings)	Remuneration & Appointments (3 meetings)
N Prest (Chairman)	11	2	3
S Carter (Co-Chairman)	10	3	3
Sir Robert Walmsley (Non-executive Director)	11	3	3
A Thomis (Chief Executive)	11	–	–
S Walther (Finance Director and Company Secretary)	11	–	–

Board committees
The Board has established two committees: Audit and Remuneration & Appointments, each having written terms of delegated responsibilities.

The attendance of the Directors at Board and Committee meetings for the year ended 30 April 2012 is shown above.

Audit Committee
The Audit Committee comprises the Company Chairman and the Non-executive Directors and is scheduled to meet at least twice a year. It is the Audit Committee's role to provide formal and transparent arrangements for considering how to apply the financial reporting and internal control requirements of the Code, whilst maintaining an appropriate relationship with the independent auditor of the Group. In order to comply with the requirement of the Code that at least one member has relevant financial experience, the Chairman of the Board sits on the Audit Committee.

The independent auditor liaises with the Audit Committee regarding work to be undertaken and complies with the Ethical Standards for Auditors issued by the Auditing Practice Board. Each year, prior to commencing its audit work, the independent auditor confirms in writing the nature of any non-audit work on behalf of the Group and the safeguards in place to ensure its independence and objectivity; any in-year proposals for non-audit work are subject to prior approval by the Audit Committee.

The Company has formal arrangements in place to facilitate "whistle-blowing" by employees through a contract with a third-party service provider. If any call is made to this third party, either the Chief Executive or the Chairman of the Audit Committee is notified promptly of the fact and the content of the call, so that appropriate action can be taken.

Remuneration & Appointments Committee
The Remuneration & Appointments Committee comprises the Company Chairman and the Non-executive Directors and is scheduled to meet at least once a year. It is the Remuneration & Appointments Committee's role to establish a formal and transparent policy on Executive remuneration and to set remuneration packages for individual Directors.

Sir Robert Walmsley is Chairman of both the Audit and Remuneration & Appointments Committees.

The Board has not established a Nominations Committee. This is not considered necessary due to the small size of the Cohort Board. The role of the Nominations Committee is undertaken by the Remuneration & Appointments Committee and the Chief Executive.

Management of the Group and its subsidiary undertakings
The management of the Group and subsidiary undertakings is as follows:

Group management
- Cohort plc Board meeting at least eight times per year.
- Group Executive Committee meeting at least four times per year, comprising Cohort plc Executive Directors and subsidiary Managing Directors.

Subsidiary management
- Monthly executive management meetings involving the senior management of each subsidiary. Cohort Executive Directors attend subsidiary executive management meetings on a regular basis.

Shareholder relations
The Company meets with its institutional shareholders and analysts as appropriate and uses the AGM to encourage communication with private shareholders. In addition, the Company uses the Annual Report and Accounts, Interim Report and website (www.cohortplc.com) to provide further information to shareholders.

Internal control and risk management
The Board is responsible for the system of internal control and for reviewing its effectiveness. Such systems are designed to manage rather than eliminate risks and can provide only reasonable and not absolute assurance against material misstatement or loss. Each year, on behalf of the Board, the Audit Committee will review the effectiveness of these systems. This is achieved primarily by considering the risks potentially affecting the Group and from discussions with the external auditor.

The Group does not currently have an internal audit function due to the small size of the Cohort administrative function and the high level of Director review and authorisation of transactions.

A comprehensive budgeting process is completed once a year, reviewed and approved by the Board. In addition the Group conducts quarterly re-forecasts. The Group's results, as compared against budget and the latest quarterly forecast, are reported to the Board on a monthly basis and discussed in detail at each meeting of the Board.

The subsidiary balance sheets are reviewed in detail on a quarterly basis by the Cohort Finance Director.

While the issue of bribery was not regarded as a material risk in the past, in response to the Bribery Act 2010, the Board carried out a full review of its processes to ensure compliance with the Act. The Group has issued a policy and each of its businesses has implemented that policy and appropriate procedures described by the Act to prevent bribery. Each business within the Group reports annually on its compliance with the policy and procedures. The Cohort plc Chief Executive is the Board member responsible for the Group's compliance. As part of its procedures, the Group has implemented training in respect of compliance with the Act for its employees.

Corporate governance
Directors' report

The Directors present their report and the audited financial statements (pages 37 to 76) of Cohort plc for the year ended 30 April 2012. Cohort plc is a company incorporated in and operating from England. Its registered address is Arlington House, 1025 Arlington Business Park, Theale, Reading RG7 4SA. The corporate governance report set out on pages 26 to 28 forms part of this report.

Principal activities
The principal activity of the Company is that of a holding company. The principal activities of the Group are described in the Overview on pages 2 to 7.

Business review
The Company is required by the Companies Act 2006 to include a business review in this report. The information that fulfils the requirements of the business review can be found in the following sections, which are incorporated in this report by reference:

	Pages
Chairman's statement	2 to 3
Our business and strategy	4 to 7
Chief Executive's review	8 to 10
Operations reviews	11 to 17
Finance Director's review and key performance indicators	18 to 21

Information about the use of financial instruments by the Company and its subsidiaries is given in note 20 to the financial statements and on pages 19 to 20 of the Finance Director's review.

There have been no significant events since the balance sheet date.

Dividends
The Directors recommend a final dividend of 1.90 pence (2011: 1.60 pence) per 10 pence ordinary share to be paid on 19 September 2012 to ordinary shareholders on the register on 24 August 2012 which, together with the interim dividend of 1.00 pence paid on 7 March 2012, makes a total of 2.90 pence for the year (2011: 2.40 pence).

Research and development
During the year ended 30 April 2012 the Group expenditure on research and development, both on behalf of customers and the Group's own private venture expenditure, was £10.4m (2011: £10.2m).

Going concern
The Group's financial statements have been prepared on the going concern basis. The reasons for this are set out on page 68 of the Accounting Policies.

Capital structure
Details of issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 21. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 22. Shares held by the Cohort plc Employee Benefit Trust (see note 23) abstain from voting and do not receive any dividend.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Cohort plc Board Terms of Reference, copies of which are available on request, and the corporate governance report on pages 26 to 28.

Under its Articles of Association, the Company has authority to issue up to half of its issued shares as new ordinary shares. This approximates to 20.4m shares at 30 April 2012.

There are also a number of other agreements that take effect, alter or terminate upon a change of control of the Company, such as: commercial contracts; bank loan agreements; property lease arrangements; and employee share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid, other than those disclosed in the Remuneration & Appointments Committee report on page 31 to 33.

International Financial Reporting Standards (IFRS)
The Group and parent company's reported results for the year ended 30 April 2012 are in accordance with IFRS.

Corporate governance
Directors' report continued

Table 1

Disclosure	Report	Pages
Directors who served throughout the year	Remuneration & Appointments Committee report	31 to 33
Directors retiring by rotation	Remuneration & Appointments Committee report	31 to 33
Directors' biographies	Board of Directors and Executive Management	24 to 25
Directors' interests	Remuneration & Appointments Committee report	31 to 33
Directors' share options	Remuneration & Appointments Committee report	31 to 33

Table 2

	Percentage of voting rights and issued share capital %	Number of ordinary shares	Nature of holding
A E S Carter	26.15	10,665,718	Direct
Schroder Investment Management	9.85	4,015,827	Direct
Hargreave Hale	6.97	2,842,295	Direct
N M Prest	5.11	2,084,580	Direct
H Dale-Staples	5.06	2,063,089	Direct

Directors
The Group maintains appropriate insurance cover in respect of legal actions against the Directors, as well as against material loss or claims against the Group, and reviews the adequacy of the cover regularly.

Details of information in respect of the Directors of the Company is referenced in table 1 above.

Supplier payment policy
In respect of all of its suppliers, the Group's policy is:

- to agree the terms of payment when contracting with suppliers;
- to ensure suppliers are made aware of the terms of payment; and
- to abide by the terms of payment.

All suppliers are treated alike in terms of payment with no preference to any one supplier and the Group does not follow any particular code of practice or standard in its payment policy.

At 30 April 2012, the trade creditors of the Group represented 39 days (2011: 53 days) of purchases.

Fixed assets
There is no material difference between the book value and current open market value of the Group's interests in land and buildings.

Employee consultation
The Group organises staff communications locally through its subsidiary undertakings. The media used for organised communications includes local intranets, in-house magazines, staff bulletins, presentations and copies of press releases. In addition, regular staff meetings are held and notices are published containing information about matters of interest within the Group and its subsidiaries.

Disabled employees
The policy of the Group is to offer the same opportunity to disabled people as to all others in respect of recruitment and career advancement, provided their disability does not prevent them from carrying out their required duties. Employees who become disabled will, wherever possible, be retained, rehabilitated and, where necessary, retrained.

Donations
During the year ended 30 April 2012 the Group made charitable donations of £8,020 (2011: £9,341), mainly in respect of military and local charities. The Group made no political donations during the year (2011: £Nil).

Substantial shareholdings
The Company has been notified as at 15 June 2012, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the voting rights as a shareholder of the Company as shown in table 2 above.

A resolution to reappoint KPMG Audit Plc as auditor will be proposed at the Annual General Meeting (AGM). The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the Directors has confirmed that they have taken all the steps they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Approved by the Board of Directors on 25 June 2012 and signed on its behalf by:

Simon Walther
Company Secretary

Corporate governance
Remuneration & Appointments Committee report

Introduction
The Remuneration & Appointments Committee of the Board is responsible for considering Directors' remuneration packages and makes its recommendations to the Board.

Remuneration policy
Remuneration packages are designed to be competitive and to reward good performance.

Executive Directors receive salary, medical cover, pension contribution, annual bonuses and share options.

Service contracts of the Executive Directors who served in the year
Andrew Thomis and Simon Walther have service agreements with the Company which can be cancelled by either party giving six months' notice at any time or 12 months' notice in the event of a change of control arising as a result of any person or persons acquiring more than 50% of the voting rights at a general meeting of the Company.

Pensions
The Group makes contributions to a stakeholder pension scheme (a defined contribution scheme) at a rate of 10% of the Executive Director's contribution.

Director's interest in the equity of Cohort plc
The Directors in office during the year under review and their interests in the equity of the Company are shown in the table below.

Performance incentives
The Group operates a cash bonus scheme and grants share options.

A bonus of £99,494 was payable to the Executive Directors for the year ended 30 April 2012 (2011: £22,500) as determined by the Remuneration & Appointments Committee on 7 June 2012.

	At 30 April 2012 number of 10p ordinary shares	At 30 April 2011 number of 10p ordinary shares
S Carter	**10,665,718**	10,665,718
N Prest	**2,084,580**	2,084,580
A Thomis	**35,230**	35,230
Sir Robert Walmsley	**25,035**	25,035
S Walther	**25,601**	25,601

Sir Robert Walmsley
Independent Non-executive Director

Adrian Scarbrough Photography © 2012

Corporate governance
Remuneration & Appointments Committee report continued

Ordinary shares under option granted and forfeited during the year ended 30 April 2012 and outstanding at 30 April 2012 were as follows:

	At 1 May 2011 or date of appointment Number	Granted Number	Exercised Number	Lapsed/ forfeited Number	**At 30 April 2012 Number**	Date of grant	Date from which option can be exercised	Exercise period Years
A Thomis								
Cohort plc 2006 share option scheme under the Enterprise Management Incentive (EMI) scheme								
- Option price of £1.23 per share	40,650	–	–	–	**40,650**	8 Mar 2006	9 Mar 2009	7
- Option price of £1.66 per share	9,036	–	–	(9,036)	**–**	21 Aug 2007	22 Aug 2010	7
- Option price of £1.89 per share	10,582	–	–	(10,582)	**–**	11 Jul 2008	12 Jul 2011	7
Cohort plc 2006 share option scheme (unapproved)								
- Option price of £1.66 per share	14,056	–	–	(14,056)	**–**	21 Aug 2007	22 Aug 2010	7
- Option price of £1.89 per share	15,873	–	–	(15,873)	**–**	11 Jul 2008	12 Jul 2011	7
- Option price of £1.715 per share	39,650	–	–	(39,650)	**–**	5 Aug 2009	6 Aug 2012	7
- Option price of £0.835 per share	66,995	–	–	–	**66,995**	23 Jul 2010	24 Jul 2013	7
- Option price of £0.915 per share	–	76,546	–	–	**76,546**	26 Jul 2011	27 Jul 2014	7
Save as you earn (SAYE) scheme								
- Option price of £0.97 per share	3,711	–	–	–	**3,711**	27 Jul 2010	1 Sep 2013	
	200,553	76,546	–	(89,197)	**187,902**			
S Walther								
Cohort plc 2006 share option scheme under the Enterprise Management Incentive (EMI) scheme								
- Option price of £1.41 per share	42,554	–	–	(42,554)	**–**	10 Jul 2006	10 Jul 2009	7
- Option price of £1.66 per share	21,084	–	–	(21,084)	**–**	21 Aug 2007	22 Aug 2010	7
- Option price of £1.89 per share	13,227	–	–	(13,227)	**–**	11 Jul 2008	12 Jul 2011	7
Cohort plc 2006 share option scheme (approved)								
- Option price of £0.915 per share	–	32,786	–	–	**32,786**	26 Jul 2011	27 Jul 2014	7
Cohort plc 2006 share option scheme (unapproved)								
- Option price of £1.89 per share	13,228	–	–	(13,228)	**–**	11 Jul 2008	12 Jul 2011	7
- Option price of £1.715 per share	32,653	–	–	(32,653)	**–**	5 Aug 2009	6 Aug 2012	7
- Option price of £0.835 per share	55,172	–	–	–	**55,172**	23 Jul 2010	24 Jul 2013	7
- Option price of £0.915 per share	–	30,252	–	–	**30,252**	26 Jul 2011	27 Jul 2014	7
Save as you earn (SAYE) scheme								
- Option price of £0.97 per share	9,278	–	–	–	**9,278**	27 Jul 2010	1 Sep 2013	
	187,196	63,038	–	(122,746)	**127,488**			

Performance incentives (continued)

There are no performance conditions applying to any of the share option schemes above. The price paid for all share options in the above schemes was nil pence.

Options over shares were forfeited in the year to provide fresh incentives to management. These option forfeits were applied to all members of the Cohort plc 2006 Share Option Scheme (see also note 22).

The mid-market price of Cohort plc 10 pence ordinary shares at 30 April 2012 was 98.5 pence (2011: 63.5 pence); the lowest and highest market prices in the year were 61.5 pence and 111.5 pence respectively.

For the year ending 30 April 2013, the bonus payable to the Executive Directors of Cohort plc in respect of that year will be based upon performance compared to budget for adjusted operating profit, cash and order intake and will be payable up to a maximum of 35% of salary.

No bonuses are payable or share options awardable to the Non-executive Directors.

Bonus schemes for senior management of the subsidiary companies have been established for the year ending 30 April 2013, with a similar framework to that of the Cohort plc Executive Directors, with varying levels of percentage of salary, none exceeding 35%.

The Group has the right to recover from the Cohort plc Executive Directors and senior management of the subsidiary companies any bonus paid in respect of a reporting period where a material adverse restatement is made.

Chairman and Non-executive Directors

Both Nick Prest and Sir Robert Walmsley were appointed in February 2006. Stanley Carter was appointed Non-executive Co-Chairman of Cohort plc on 25 May 2009. These appointments can be terminated upon three months' notice being given by either party.

The following Directors are due to retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting on 11 September 2012:

A Thomis
Sir Robert Walmsley
S Walther

Directors' remuneration

Details of Directors' remuneration are set out below:

	Salary 2012 £	Bonus 2012 £	Benefits in kind 2012 £	Emoluments 2012 £	Pension contributions 2012 £	Total 2012 £	Total 2011 £
Executive Directors							
A Thomis	175,100	54,561	598	230,259	1,920	232,179	184,912
S Walther	144,200	44,933	598	189,731	1,200	190,931	150,698
Non-executive Directors							
N Prest	60,000	–	–	60,000	–	60,000	54,000
S Carter	45,000	–	–	45,000	–	45,000	55,190
Sir Robert Walmsley	30,000	–	–	30,000	–	30,000	27,000
Total	454,300	99,494	1,196	554,990	3,120	558,110	471,800

Salaries for Andrew Thomis and Simon Walther have been increased to £185,000 and £150,000 per annum respectively for the year ended 30 April 2013. The fees payable to the Chairman and Non-executive Directors for the year ended 30 April 2013 are the same as for the year ended 30 April 2012.

Corporate governance
Statement of Directors' responsibilities
in respect of the Annual Report and financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange, they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

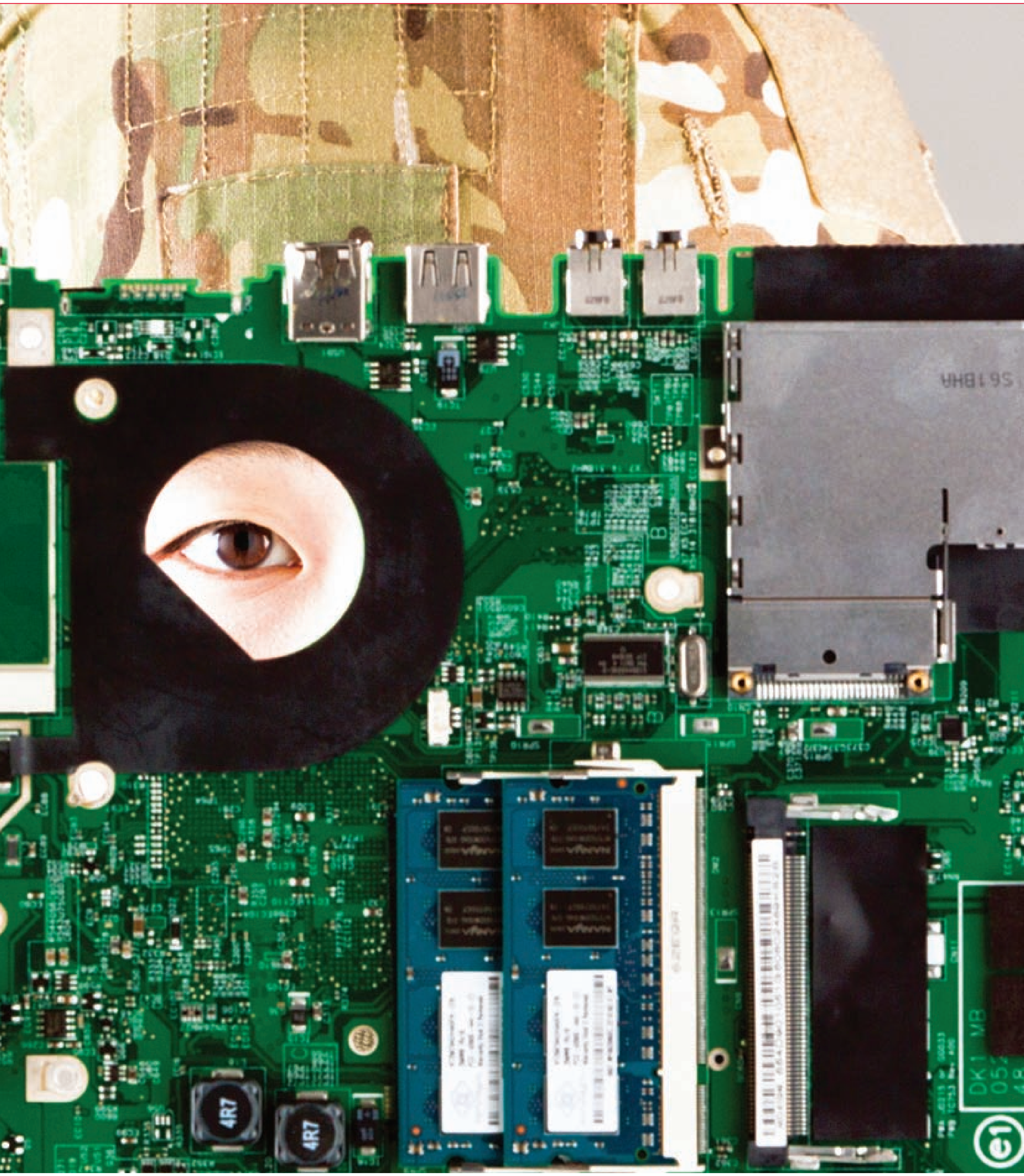
Directors' responsibility statement
We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board on 25 June 2012

Andrew Thomis	Simon Walther
Chief Executive	Finance Director

Financial statements



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Financial statements
Independent auditor's report
to the members of Cohort plc

We have audited the financial statements of Cohort plc for the year ended 30 April 2012 set out on pages 37 to 76. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor
As explained more fully in the Statement of Directors' responsibilities set out on page 34, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 April 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Matt Lewis (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc
Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale RG7 4SD
25 June 2012

Financial statements

Consolidated income statement

for the year ended 30 April 2012

	Notes	2012 £'000	2011 £'000
Revenue	1	**75,408**	65,135
Cost of sales		**(53,386)**	(45,217)
Gross profit		**22,022**	19,918
Administrative expenses		**(17,828)**	(17,079)
Operating profit	1	**4,194**	2,839
Comprising:			
Adjusted operating profit	1	**6,513**	4,439
(Charge)/income on marking forward exchange contracts to market value at the year end (included in cost of sales)	20	**(955)**	595
Amortisation of other intangible assets (included in administrative expenses)	11	**(1,364)**	(1,477)
Exceptional items (included in administrative expenses)	3	**–**	(718)
		4,194	2,839
Finance income	6	**77**	27
Finance costs	7	**(115)**	(170)
Profit before tax		**4,156**	2,696
Income tax credit	8	**411**	65
Profit for the year attributable to the equity shareholders of the parent	4	**4,567**	2,761

Earnings per share		Pence	Pence
Basic	10	**11.30**	6.79
Diluted	10	**11.28**	6.79

All profit for the year is attributable to equity shareholders of the parent and is derived from continuing operations.

Consolidated statement of comprehensive income

for the year ended 30 April 2012

	Notes	2012 £'000	2011 £'000
Profit for the year attributable to the equity shareholders of the parent		**4,567**	2,761
Cash flow hedges – (expense)/income taken to equity (net of tax credit or charge)	20	**(24)**	13
Total comprehensive income for the year attributable to the equity shareholders of the parent		**4,543**	2,774

Financial statements
Consolidated statement of changes in equity
for the year ended 30 April 2012

Group	Share capital £'000	Share premium account £'000	Own shares £'000	Share option reserve £'000	Hedge reserve £'000	Retained earnings £'000	Total £'000
At 1 May 2010	4,079	29,519	—	379	11	12,372	46,360
Profit for the year	—	—	—	—	—	2,761	2,761
Other comprehensive income for the year	—	—	—	—	13	—	13
Total comprehensive income for the year	—	—	—	—	13	2,761	2,774
Own shares acquired	—	—	(302)	—	—	—	(302)
Equity dividends	—	—	—	—	—	(894)	(894)
Share-based payments	—	—	—	317	—	—	317
Transfer of share option reserve on vesting of options	—	—	—	(141)	—	141	—
At 30 April 2011	4,079	29,519	(302)	555	24	14,380	48,255
Profit for the year	—	—	—	—	—	4,567	4,567
Other comprehensive expense for the year	—	—	—	—	(24)	—	(24)
Total comprehensive income for the year	—	—	—	—	(24)	4,567	4,543
Equity dividends	—	—	—	—	—	(1,051)	(1,051)
Share-based payments	—	—	—	353	—	—	353
Transfer of share option reserve on vesting of options	—	—	—	(205)	—	205	—
At 30 April 2012	**4,079**	**29,519**	**(302)**	**703**	**—**	**18,101**	**52,100**

Financial statements
Company statement of changes in equity
for the year ended 30 April 2012

Company	Share capital £'000	Share premium account £'000	Own shares £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
At 1 May 2010	4,079	29,519	—	379	2,485	36,462
Profit for the year	—	—	—	—	2,609	2,609
Other comprehensive income for the year	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	2,609	2,609
Own shares acquired	—	—	(302)	—	—	(302)
Equity dividends	—	—	—	—	(894)	(894)
Share-based payments	—	—	—	317	—	317
Transfer of share option reserve on vesting of options	—	—	—	(141)	11	(130)
At 1 May 2011	4,079	29,519	(302)	555	4,211	38,062
Profit for the year	—	—	—	—	1,801	1,801
Other comprehensive income for the year	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	1,801	1,801
Equity dividends	—	—	—	—	(1,051)	(1,051)
Share-based payments	—	—	—	353	—	353
Transfer of share option reserve on vesting of options	—	—	—	(205)	13	(192)
At 30 April 2012	**4,079**	**29,519**	**(302)**	**703**	**4,974**	**38,973**

The reserves of the Group and the Company are described in note 24.

Financial statements
Consolidated and Company statements of financial position
as at 30 April 2012

		Group		Company	
	Notes	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000
Assets					
Non-current assets					
Goodwill	11	**31,395**	31,395	**–**	–
Other intangible assets	11	**791**	2,155	**–**	–
Property, plant and equipment	12	**7,252**	7,820	**11**	20
Investment in subsidiaries	13	**–**	–	**42,825**	42,718
Deferred tax asset	19	**157**	118	**7**	6
		39,595	41,488	**42,843**	42,744
Current assets					
Inventories	14	**215**	356	**–**	–
Trade and other receivables	15	**20,468**	20,339	**80**	414
Derivative financial instruments	20	**–**	575	**–**	–
Cash and cash equivalents		**14,140**	10,177	**4,003**	–
		34,823	31,447	**4,083**	414
Total assets		**74,418**	72,935	**46,926**	43,158
Liabilities					
Current liabilities					
Trade and other payables	16	**(16,492)**	(15,220)	**(450)**	(402)
Current tax liabilities		**(1,086)**	(973)	**(4)**	–
Derivative financial instruments	20	**(413)**	–	**–**	–
Bank borrowings	17	**–**	(3,131)	**(7,499)**	(4,694)
Provisions	18	**(3,318)**	(3,339)	**–**	–
		(21,309)	(22,663)	**(7,953)**	(5,096)
Non-current liabilities					
Bank borrowings	17	**–**	(313)	**–**	–
Deferred tax liability	19	**(953)**	(1,601)	**–**	–
Provisions	18	**(56)**	(103)	**–**	–
		(1,009)	(2,017)	**–**	–
Total liabilities		**(22,318)**	(24,680)	**(7,953)**	(5,096)
Net assets		**52,100**	48,255	**38,973**	38,062
Equity					
Share capital	21	**4,079**	4,079	**4,079**	4,079
Share premium account		**29,519**	29,519	**29,519**	29,519
Own shares	23	**(302)**	(302)	**(302)**	(302)
Share option reserve	22	**703**	555	**703**	555
Hedge reserve	20	**–**	24	**–**	–
Retained earnings		**18,101**	14,380	**4,974**	4,211
Total equity attributable to the equity shareholders of the parent		**52,100**	48,255	**38,973**	38,062

The financial statements on pages 37 to 76 were approved by the Board of Directors and authorised for issue on 25 June 2012 and are signed on its behalf by:

Andrew Thomis
Chief Executive

Simon Walther
Finance Director

Company number
05684823

Financial statements
Consolidated and Company cash flow statements
for the year ended 30 April 2012

	Notes	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Net cash from operating activities	25	**8,424**	6,512	**2,183**	2,580
Cash flow from investing activities					
Interest received		**77**	27	**69**	27
Proceeds on disposals of property, plant and equipment		**2**	—	**—**	—
Purchases of property, plant and equipment	12	**(141)**	(599)	**(3)**	(14)
Acquisition of subsidiaries, net of cash acquired	31	**—**	(918)	**—**	—
Net cash (used in)/received from investing activities		**(62)**	(1,490)	**66**	13
Cash flow from financing activities					
Dividends paid	9	**(1,051)**	(894)	**(1,051)**	(894)
Repayment of borrowings	17	**(3,444)**	(171)	**(3,000)**	—
Purchase of own shares	23	**—**	(302)	**—**	(302)
Net cash used in financing activities		**(4,495)**	(1,367)	**(4,051)**	(1,196)
Net increase/(decrease) in cash and cash equivalents		**3,867**	3,655	**(1,802)**	1,397

Financial statements
Notes to the financial statements
for the year ended 30 April 2012

1. Segmental analysis
For management and reporting purposes, the Group currently operates through its three subsidiaries: MASS, SCS and SEA. These subsidiaries are the basis on which the Company reports its primary business segment information in accordance with IFRS 8.

The principal activities of the subsidiaries are described in the Overview (pages 1 to 7) and in the Business review (pages 8 to 23).

Business segment information about these subsidiaries is presented below:

2012	MASS £'000	SCS £'000	SEA £'000	Eliminations £'000	Group £'000
Revenue					
External revenue	26,117	17,508	31,783	—	75,408
Inter-segment revenue	2	53	14	(69)	—
	26,119	17,561	31,797	(69)	75,408
Segment adjusted operating profit	4,831	1,320	1,723	—	7,874
Unallocated corporate expenses	—	—	—	—	(1,361)
Adjusted operating profit	4,831	1,320	1,723	—	6,513
Charge on marking forward exchange contracts to market value at the year end	—	—	(955)	—	(955)
Amortisation of other intangible assets	(1,219)	—	(145)	—	(1,364)
Operating profit	3,612	1,320	623	—	4,194
Finance cost (net of income)	—	8	(66)	—	(38)
Profit before tax	3,612	1,328	557	—	4,156
Income tax credit					411
Profit after tax					4,567

All are UK operations and all are continuing. Inter-segment sales are charged at arm's length rates.

Unallocated corporate expenses are the costs of the Cohort plc head office including the remuneration of the Cohort plc Board.

Other information	MASS £'000	SCS £'000	SEA £'000	Central £'000	Group £'000
Capital additions	5	49	84	3	141
Depreciation	228	61	398	12	699

Balance sheet				Eliminations	
Assets					
Segment assets	7,699	4,054	17,568	(1,386)	27,935
Goodwill	12,500	—	18,895		31,395
Other intangible assets	791	—	—		791
Deferred tax asset					157
Cash					14,140
Consolidated total assets	20,990	4,054	36,463		74,418
Liabilities					
Segment liabilities	(6,449)	(4,503)	(10,247)	920	(20,279)
Current tax liabilities					(1,086)
Deferred tax liability					(953)
Consolidated total liabilities	(6,449)	(4,503)	(10,247)		(22,318)

1. Segmental analysis (continued)

2011	MASS £'000	SCS £'000	SEA £'000	Eliminations £'000	Group £'000
Revenue					
External revenue	23,526	18,450	23,159	–	65,135
Inter-segment revenue	8	34	–	(42)	–
	23,534	18,484	23,159	(42)	65,135
Segment adjusted operating profit	4,231	1,025	289	–	5,545
Unallocated corporate expenses					(1,106)
Adjusted operating profit	4,231	1,025	289	–	4,439
Income on marking forward exchange contracts to market value at the year end	–	–	595	–	595
Amortisation of other intangible assets	(1,187)	–	(290)	–	(1,477)
Exceptional items	(13)	(167)	(538)	–	(718)
Operating profit	3,031	858	56	–	2,839
Finance cost (net of income)	–	–	(35)	–	(143)
Profit before tax	3,031	858	21	–	2,696
Income tax credit					65
Profit after tax					2,761

All are UK operations and all are continuing. Inter-segment sales are charged at arm's length rates.

Unallocated corporate expenses are the costs of the Cohort plc head office including the remuneration of the Cohort plc Board.

Other information	MASS £'000	SCS £'000	SEA £'000	Central £'000	Group £'000
Capital additions	374	7	204	14	599
Depreciation	187	83	426	11	707

Balance sheet				Eliminations	
Assets					
Segment assets	8,483	4,507	17,805	(1,705)	29,090
Goodwill	12,500	–	18,895		31,395
Other intangible assets	2,010	–	145		2,155
Deferred tax asset					118
Cash					10,177
Consolidated total assets	22,993	4,507	36,845		72,935
Liabilities					
Segment liabilities	(9,279)	(4,045)	(8,081)	2,743	(18,662)
Bank borrowings	–	–	(444)		(3,444)
Current tax liabilities					(973)
Deferred tax liability					(1,601)
Consolidated total liabilities	(9,279)	(4,045)	(8,525)		(24,680)

For the purposes of monitoring segment performance and allocating resource between segments, the Group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment.

All assets are allocated to reportable segments with the exception of central cash and bank borrowings, and current tax liabilities.

Goodwill and other intangible assets are allocated to reportable segments as analysed in note 11.

Financial statements
Notes to the financial statements continued
for the year ended 30 April 2012

1. Segmental analysis (continued)

Geographical segments

The Group's subsidiaries are all located in the UK. The following table provides an analysis of the Group's revenue by geographical location of the customer:

	2012 £'000	2011 £'000
UK	**64,740**	52,432
Other EC countries	**6,085**	6,336
Asia Pacific	**4,274**	6,104
USA	**309**	263
	75,408	65,135

All the Group's assets, tangible and intangible, are located in the UK.

Market segments

The following table provides an analysis of the Group's revenue by market sector:

	2012 £'000	2011 £'000
Defence (including security)	**61,003**	52,224
Space	**7,562**	7,791
Transport	**2,763**	2,138
Other commercial	**4,080**	2,982
	75,408	65,135

Major customers

Revenue from major customers included in the Group's business segments for the year ended 30 April 2012 is as follows:

	2012 UK MOD £'000	2012 Customer A £'000	2012 Customer B £'000	2011 UK MOD £'000	2011 Customer A £'000	2011 Customer B £'000
MASS	**9,966**	**2,474**	**—**	9,601	3,892	—
SCS	**9,167**	**526**	**—**	12,494	612	—
SEA	**11,606**	**6,402**	**4,019**	5,644	4,137	5,858
	30,739	**9,402**	**4,019**	27,739	8,641	5,858

2. Employee benefit expense (including Directors)

	2012 £'000	2011 £'000
Wages and salaries	**23,505**	26,622
Social security costs	**2,644**	2,912
Defined contribution pension plan costs	**1,924**	1,791
Share-based payments	**353**	317
	28,426	31,642

2. Employee benefit expense (including Directors) (continued)

Average number of employees (including Directors)

	2012 Number	2011 Number
Other operational	**331**	379
Managed services	**70**	68
Total operational	**401**	447
Administration and support	**126**	129
	527	576

The above disclosures include Directors. Directors' emoluments and share option details are disclosed separately in the Remuneration & Appointments Committee report on pages 31 to 33.

3. Exceptional items

The net exceptional charge comprises:

	2012 £'000	2011 £'000
Restructuring at SCS	**—**	177
Restructuring at SEA	**—**	538
Cost of acquisition of Abacus EW	**—**	13
Profit on sale of AGS	**—**	(10)
	—	718

All exceptional items are in respect of continuing operations.

The tax credit in respect of exceptional items is £Nil (2011: £200,000) and is in respect of the continuing items.

4. Profit for the year

The profit for the year has been arrived at after charging/(crediting):

	Notes	2012 £'000	2011 £'000
Net foreign exchange losses/(gains)	20	**857**	(555)
Research and development costs		**10,398**	10,241
Depreciation of property, plant and equipment	12	**699**	707
Amortisation of other intangible assets	11	**1,364**	1,477
Cost of inventories recognised as expenses		**22,963**	18,193
Staff costs (excluding share-based payments)	2	**28,073**	31,325
Share-based payments	22	**353**	317

All of the above charges/(credits) are in respect of continuing operations.

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5. Auditor's remuneration
The analysis of the auditor's, KPMG Audit Plc (2011: KPMG Audit Plc), remuneration is as follows:

	2012 £'000	2011 £'000
Fees payable to the Company's auditor for the audit of the Company's and consolidated accounts	13	10
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	63	60
Total audit fees	76	70
Interim review fee	12	5
Audit related assurance services	3	21
Total non-audit fees	15	26
Total fees paid to the auditor and its associates	91	96
Charged to profit for the year	91	96

Audit related assurance services include £3,000 in respect of a review of the Group's payroll processes.

Fees payable to KPMG Audit Plc and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis only.

6. Finance income

	2012 £'000	2011 £'000
Interest on bank deposits	69	27
Other interest receivable	8	–
	77	27

All finance income is in respect of continuing operations.

7. Finance costs

	2012 £'000	2011 £'000
Bank and short term interest	115	170

All finance costs are in respect of continuing operations.

8. Income tax credit

	2012 £'000	2011 £'000
Corporation tax: in respect of this year	1,268	459
Corporation tax: in respect of prior years	(1,001)	(1,124)
	267	(665)
Deferred tax: in respect of this year	(678)	14
Deferred tax: in respect of prior years	–	586
	(678)	600
	(411)	(65)

The corporation tax is calculated at 25.83% (2011: 27.83%) of the estimated assessable profit for the year, as disclosed below.

The current tax in respect of the year ended 30 April 2012 includes £Nil charge (2011: £200,000 credit) in respect of exceptional items. The deferred tax includes a credit of £370,000 in respect of amortisation of other intangible assets (2011: £414,000 credit) and a credit of £240,000 (2011: charge of £155,000) in respect of marking forward exchange contracts to market at the year end. The deferred tax is further explained in note 19.

8. Income tax credit (continued)

The tax credit for the year is reconciled to the profit per the consolidated income statement for the year ended 30 April 2012 as follows:

	2012 £'000	2011 £'000
Profit before tax on continuing operations	**4,156**	2,696
Tax at the UK corporation tax rate of 25.83% (2011: 27.83%)	**1,074**	750
Tax effect of expenses that are not deductible in determining taxable profit	**118**	126
Tax effect of R&D tax credits	**(534)**	(716)
Tax effect of exceptional items that are not recognised in determining taxable profit	**—**	1
Tax effect of change in tax rate from 26% to 24% (2011: 28% to 26%)	**(68)**	(155)
Tax effect of de-recognising brought forward tax losses	**—**	467
Tax effect of prior year R&D tax credits	**(1,001)**	(538)
Tax credit for the year	**(411)**	(65)

The UK corporation tax rate for the year ended 30 April is calculated at 25.83%, based upon eleven months at 26.00% and one month at 24.00%.

In addition to the amount credited to the income statement, the following amounts relating to tax have been recognised for the year ended 30 April 2012 directly in other comprehensive income:

	2012 £'000	2011 £'000
Deferred tax (credit)/charge arising on income and expenses recognised in other comprehensive income:		
Revaluations of financial instruments treated as cash flow hedges	**(9)**	5

9. Dividends

	2012 £'000	2011 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend in respect of the year ended 30 April 2011 at 1.60 pence per ordinary share (2010: 1.40 pence per ordinary share)	**647**	571
Interim dividend in respect of the year ended 30 April 2012 at 1.00 pence per ordinary share (2011: 0.80 pence per ordinary share)	**404**	323
	1,051	894
Proposed final dividend for the year ended 30 April 2012 at 1.90 pence per ordinary share (2011: 1.60 pence per ordinary share)	**768**	647

The proposed final dividend is subject to approval by shareholders at the AGM to be held on 11 September 2012 and has not been included as a liability in these financial statements.

If approved, this dividend will be paid on 19 September 2012 to shareholders on the register as at 24 August 2012.

The Cohort plc Employee Benefit Trust, which holds ordinary shares in Cohort plc, representing 0.9% of the Company's called up share capital, has agreed to waive all dividends due to it in accordance with an arrangement dated 20 November 2009.

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10. Earnings per share

The earnings per share are calculated as follows:

	2012			2011		
	Weighted average number of shares Number	Earnings £'000	Earnings per share Pence	Weighted average number of shares Number	Earnings £'000	Earnings per share Pence
Basic earnings (net profit attributable to equity holders of Cohort plc)	**40,425,342**	**4,567**	**11.30**	40,633,523	2,761	6.79
Share options	**70,022**	**—**	**—**	1,143	—	—
Diluted earnings	**40,495,364**	**4,567**	**11.28**	40,634,666	2,761	6.79

The basic earnings per share are calculated by dividing the profit attributable to equity holders of the parent company (Cohort plc) by the weighted average number of ordinary shares in issue during the year. The diluted earnings per share are calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of shares in issue during the year as adjusted for the effects of potentially dilutive share options.

The weighted average number of shares for the year ended 30 April 2012 is after deducting the own shares.

In addition, the adjusted earnings per share of the Group are calculated in a similar manner to the basic earnings per share with the adjustments to the basic earnings as shown below:

		2012			2011		
	Notes	Weighted average number of shares Number	Earnings £'000	Earnings per share Pence	Weighted average number of shares Number	Earnings £'000	Earnings per share Pence
Basic earnings		**40,425,342**	**4,567**	**11.30**	40,633,523	2,761	6.79
Charge/(income) on marking forward exchange contracts to market value at the year end (net of income tax of £240,000; 2011: £155,000)	20	**—**	**715**	**—**	—	(440)	—
Exceptional items (net of income tax of £Nil; 2011: £200,000)	3	**—**	**—**	**—**	—	518	—
Amortisation of other intangible assets (net of income tax of £370,000; 2011: £414,000)	11	**—**	**994**	**—**	—	1,063	—
Adjusted earnings		**40,425,342**	**6,276**	**15.52**	40,633,523	3,902	9.60
Share options		**70,022**	**—**	**—**	1,143	—	—
Diluted adjusted earnings		**40,495,364**	**6,276**	**15.50**	40,634,666	3,902	9.60

The adjusted earnings are in respect of continuing operations.

11. Goodwill and other intangible assets

	Goodwill			Other intangible assets		
	SEA £'000	MASS £'000	Group £'000	SEA £'000	MASS £'000	Group £'000
Cost						
At 1 May 2010	18,895	12,148	31,043	1,160	1,340	2,500
Acquisition of Abacus EW	—	352	352	—	3,000	3,000
At 1 May 2011	18,895	12,500	31,395	1,160	4,340	5,500
At 30 April 2012	**18,895**	**12,500**	**31,395**	**1,160**	**4,340**	**5,500**
Amortisation						
At 1 May 2010	—	—	—	725	1,143	1,868
Charge for the year ended 30 April 2011	—	—	—	290	1,187	1,477
At 1 May 2011	—	—	—	1,015	2,330	3,345
Charge for the year ended 30 April 2012	—	—	—	145	1,219	1,364
At 30 April 2012	**—**	**—**	**—**	**1,160**	**3,549**	**4,709**
Net book value						
At 30 April 2012	**18,895**	**12,500**	**31,395**	**—**	**791**	**791**
At 30 April 2011	18,895	12,500	31,395	145	2,010	2,155

Goodwill arises on the acquisition of subsidiaries. These subsidiaries are the cash-generating units to which goodwill has been allocated.

The amortisation charge is disclosed as "Amortisation of other intangible assets" in the income statement.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the subsidiaries (cash-generating units) are determined from value-in-use calculations.

The key assumptions for the value-in-use calculations are those regarding discount rates, growth rates and any other factors which may affect future performance as are known of in the current period.

The Group's subsidiaries have prepared cash flow forecasts as part of the recent annual budgetary process, as approved by management. This provides the next three years' cash flow forecasts which have been extrapolated forward at an estimated long term growth rate of 2.25% (2011: 2.25%). The cash flow forecasts are prepared on a consistent basis based upon each subsidiary's budget. To this has been applied the Group's estimated pre-tax weighted average cost of capital (WACC) of 12.6% (2011: 15.5%).

The Group's WACC is an estimate based upon the Company's current equity risk, market interest rates, Company debt interest rates and market equity risk. The same rate of WACC and long term growth rate have been applied to the assessment of the carrying value of goodwill for both MASS and SEA, since the businesses have similar market experience and exposures.

On the basis of these tests, no impairment of goodwill has arisen in the year ended 30 April 2012 in respect of either MASS or SEA. The goodwill of SEA is more sensitive with no impairment at the Group's WACC of 12.6% but is impaired if the Group's WACC increases to 20.9%.

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11. Goodwill and other intangible assets (continued)

The other intangible assets arise on the acquisition of the subsidiaries and are disclosed above.

The other intangible assets are amortised over the estimated lives of the specific other intangible asset, as follows:

	Other intangible assets £'000	Estimated life Years	Remaining period of amortisation at 30 April 2012 Years
MASS			
On acquisition of MASS:			
Contracts acquired	1,060	4	—
Contracts to be secured	280	7	1.25
	1,340		
On acquisition of Abacus EW:			
Contracts acquired	1,446	3	1.10
Future orders and prospects	1,074	2	0.10
Intellectual property rights	480	3	1.10
	3,000		
	4,340		

The SEA other intangible asset which is now fully amortised was in respect of contracts acquired on the acquisition of SEA.

12. Property, plant and equipment

Group	Land and buildings £'000	Fixtures and equipment £'000	Total £'000
Cost			
At 1 May 2010	6,702	4,099	10,801
Additions	13	586	599
On acquisition of Abacus EW	—	4	4
Disposals	(1)	(35)	(36)
At 1 May 2011	6,714	4,654	11,368
Additions	—	141	141
Disposals	—	(288)	(288)
At 30 April 2012	**6,714**	**4,507**	**11,221**
Depreciation			
At 1 May 2010	510	2,361	2,871
Charge in the year	106	601	707
Eliminated on disposal	—	(30)	(30)
At 1 May 2011	616	2,932	3,548
Charge in the year	110	589	699
Eliminated on disposal	—	(278)	(278)
At 30 April 2012	**726**	**3,243**	**3,969**
Net book value			
At 30 April 2012	**5,988**	**1,264**	**7,252**
At 30 April 2011	6,098	1,722	7,820

12. Property, plant and equipment (continued)

The Company's property, plant and equipment was £11,000 at 30 April 2012 (2011: £20,000).

The depreciation charge is disclosed within "administrative expenses" in the consolidated income statement.

The property, plant and equipment have been pledged to secure the Group's banking facilities.

The valuation (in accordance with International Valuation Standards) of the Group's land and buildings at 30 April 2012 supports the above net book value.

The Group's land and buildings as disclosed above are the cost of purchase plus refurbishment and the valuation on acquisition. As such the Group has no revaluation reserve at this time.

13. Investment in subsidiaries and joint ventures

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Subsidiary undertakings	**—**	—	**42,825**	42,718
Joint ventures	**—**	—	**—**	—
	—	—	**42,825**	42,718

A list of the significant investments in joint ventures and subsidiaries is as follows:

Name of company	Country of registration	Type of shares	Proportion of shareholding and voting rights held	Nature of business
Directly owned				
Systems Consultants Services Limited (SCS)	England	Ordinary	100%	Technical consultancy
MASS Limited	England	Ordinary	100%	Holding company of MASS Consultants Limited
SEA (Group) Limited (SEA)	England	Ordinary	100%	Holding company of Systems Engineering and Assessment Limited, Beckington Castle Limited and various dormant subsidiaries
Digital Millennium Map LLP (DMM)	England	Ordinary	25%	2D digital mapping – in administration
Advanced Geospatial Solutions Limited (AGS)	England	Ordinary	50%	Formerly 3D mapping technology (business of AGS sold 1 August 2009)
Held through a subsidiary				
MASS Consultants Limited (MASS)	England	Ordinary	100%	Electronic warfare, managed services, secure communications and IT support services
Systems Engineering & Assessment Limited	England	Ordinary	100%	Deliverer of systems engineering, software and electronic engineering services and solutions to defence, space and transport
Beckington Castle Limited	England	Ordinary	100%	Property company holding freehold of Beckington Castle
Abacus EW Consultancy Limited	England	Ordinary	100%	Electronic warfare training services and software applications

DMM and AGS, which are both retained as investments of the Group, are not accounted for under the equity method of accounting as the Group ceased to have an active participation from 1 November 2006 and 30 April 2009 respectively.

All shares held in subsidiaries and joint ventures are the same class and carry equal weighting to any shares held by other shareholders.

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13. Investment in subsidiaries and joint ventures (continued)

For information, the performance of DMM for the year ended 30 April 2012 was as follows:

	Year ended 30 April 2012 £'000	Cumulative to 30 April 2012 £'000
Unrecognised share of profit	23	63
Revenues	95	2,920
Expenses	(2)	(3,626)
Profit/(loss)	93	(706)

	2012 £'000	2011 £'000
Total assets	17	14
Total liabilities	(6)	(4)

The Group has received and continues to receive a return on its original investment in DMM. This income is disclosed in "administrative expenses" within the consolidated income statement.

For information, the performance of AGS for the year ended 30 April 2012 was as follows:

	Year ended 30 April 2012 £'000	Cumulative to 30 April 2012 £'000
Unrecognised share of profit	7	27
Revenues	–	901
Expenses	14	(2,056)
Profit/(loss)	14	(1,155)

	2012 £'000	2011 £'000
Total assets	–	7
Total liabilities	(1,114)	(1,135)

AGS sold its business on 1 August 2009. The Group retains its investment in AGS and received further consideration in respect of the business disposal of £13,743 in the year ended 30 April 2012 (2011: £10,000, disclosed as an exceptional item per note 3), which is disclosed in the adjusted operating profit of the Group.

Company

The Company's investments in subsidiaries are as follows:

	MASS £'000	SCS £'000	SEA £'000	Total £'000
At 1 May 2010	14,437	1,705	26,412	42,554
Share-based payments	105	84	105	294
Vested in year	(27)	(66)	(37)	(130)
At 1 May 2011	14,515	1,723	26,480	42,718
Share-based payments	117	81	103	301
Vested in year	(77)	(58)	(59)	(194)
At 30 April 2012	**14,555**	**1,746**	**26,524**	**42,825**

14. Inventories

	2012 £'000	2011 £'000
Finished goods	**215**	356

The inventory at 30 April 2012 is after a stock provision of £141,000 (2011: £164,000).

The inventory has been pledged to secure the Group's banking facilities.

15. Trade and other receivables

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Trade receivables	**12,688**	13,329	**–**	–
Allowance for doubtful debts	**(78)**	(108)	**–**	–
	12,610	13,221	**–**	–
Amounts recoverable on contracts	**6,218**	5,822	**–**	–
Prepayments and accrued income	**1,640**	1,296	**80**	29
Amounts due from subsidiary undertakings	**–**	–	**–**	385
	20,468	20,339	**80**	414

The average credit period taken on sales of goods is 51 days (2011: 57 days). Of the trade receivables balance, £2.4m was considered overdue at 30 April 2012 (2011: £3.3m). Overdue is defined as trade receivables still due 30 days or more after invoice date. The allowance for doubtful debt is determined by management's best estimate, by reference to the particular receivables over which doubt may exist. None of the other receivables was past due.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair values. The largest trade receivable to which the Group is exposed at 30 April 2012 is the UK MOD, with a balance outstanding of £5.1m (2011: £3.5m). Other customers who represent more than 5% of the total balance of trade receivables include:

	2012 £m	2011 £m
Customer A	**0.9**	1.6
Customer B	**1.5**	1.1
Customer C	**0.2**	1.0

Trade receivables include £2.2m (2011: £1.7m) denominated in foreign currency.

The majority of the Group's customers are UK or overseas government organisations and larger prime contractors in the defence and space sectors.

The Group assesses all new customers for credit worthiness before extending credit. In the case of overseas customers, the Group utilises various payment protection mechanisms including but not limited to export credit guarantees, letters of credit and advance payments.

Trade receivables disclosed above include amounts which are past due at the reporting date but against which the Group has not recognised an allowance for doubtful debts because the credit quality of the customer is not considered to have changed and the amount due is considered fully recoverable.

Ageing of past due but not impaired receivables	2012 £'000	2011 £'000
30 – 60 days	**1,197**	2,795
60 – 90 days	**445**	153
> 90 days	**752**	323
	2,394	3,271

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15. Trade and other receivables (continued)

Movement for the allowance in doubtful debts	2012 £'000	2011 £'000
Balance at 1 May	**108**	104
Impairment losses recognised	**78**	43
Amounts written off as uncollectable in year	**(27)**	(9)
Amounts recovered during year	**(5)**	(30)
Impairment losses reversed	**(76)**	–
Balance at 30 April	**78**	108

The trade receivables which are impaired and provided for by the allowance in doubtful debts are all greater than 90 days old.

16. Trade and other payables

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Advance receipts	**3,092**	3,185	**–**	–
Trade payables and accruals	**4,875**	5,407	**45**	36
Other payables	**2**	22	**2**	22
Social security and other taxes	**2,209**	2,593	**74**	52
Accruals and deferred income	**6,314**	4,013	**329**	284
Amounts due to subsidiary undertakings	**–**	–	**–**	8
	16,492	15,220	**450**	402

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing contract costs. Advance receipts reflect invoicing ahead of work done in accordance with contracted terms. The average credit period taken for trade purchases is 39 days (2011: 53 days). The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Trade payables and accruals, other payables and taxes are all due for settlement within 12 months of the year end, the majority within three months. The advance receipts will unwind over the next 12 months.

Social security and other taxes include employment taxes and VAT.

The Directors consider that the carrying amount of trade payables approximates to their fair values.

Total payable includes £0.5m (2011: £1.3m) denominated in foreign currency.

17. Bank borrowings

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Bank overdrafts	**–**	–	**7,499**	1,694
Bank loans	**–**	3,444	**–**	3,000
	–	3,444	**7,499**	4,694

All borrowings are secured using the fixed and floating assets of the Group.

17. Bank borrowings (continued)

Analysis of Group bank borrowings by currency:

	Sterling £'000	Euros £'000	US$ £'000	Total £'000
At 30 April 2012:				
Bank overdrafts	–	–	–	–
Bank loans	–	–	–	–
	–	–	–	–
At 30 April 2011:				
Bank overdrafts	–	–	–	–
Bank loans	3,444	–	–	3,444
	3,444	–	–	3,444

These borrowings are repayable as follows:

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
On demand or within one year	**–**	3,131	**7,499**	4,694
In the second year	**–**	84	**–**	–
In the third to fifth years inclusive	**–**	229	**–**	–
	–	3,444	**7,499**	4,694
Less: amounts due for settlement within 12 months (shown under current liabilities)	**–**	(3,131)	**(7,499)**	(4,694)
Amount due for settlement after 12 months	**–**	313	**–**	–

The weighted average interest rates paid were as follows:

	2012 %	2011 %
Bank overdrafts	**–**	–
Bank loans	**4.50**	3.10

The other principal features of the Group's borrowings are as follows:

a. The bank overdrafts are repayable on demand. The Group operates a sterling current account offset facility. The interest rate applicable to the overdraft facility when drawn is at 2.25% (2011: 2.25%) above the Bank of England base rate. Overdrafts in currency other than sterling are not part of the sterling current account offset facility and are disclosed as part of bank borrowings above.

b. In October 2011 the Group repaid all of its borrowings, a total of £3.4m, and at the same time cancelled its structured debt facility.

At 30 April 2012, the Group had available £7.5m of undrawn overdraft facility. The Directors consider the carrying amount of bank borrowings approximate to their fair value.

The Group's net funds at 30 April 2012 of £14.1m are held with the following banks:

	2012 £'000	2011 £'000	Moody's credit rating of bank as at 24 May 2012
Royal Bank of Scotland Plc	**10,137**	6,733	A2
Santander UK	**3,000**	–	A2
Barclays Plc	**1,003**	–	Aa3
	14,140	6,733	

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18. Provisions

Group	Abacus EW earn out £'000	Withdrawal from AGS £'000	Restructuring £'000	Onerous lease commitment £'000	Warranty £'000	Other contract related provisions £'000	Total £'000
At 1 May 2010	—	22	105	215	305	1,919	2,566
Charged/(credited) to the income statement	—	—	538	—	82	(21)	599
Utilised	—	—	(581)	(45)	(98)	(510)	(1,234)
Acquisition of Abacus EW	1,400	—	—	—	—	111	1,511
At 1 May 2011	1,400	22	62	170	289	1,499	3,442
Charged/(credited) to the income statement	—	(6)	—	20	50	677	741
Utilised	—	—	(62)	(67)	(32)	(648)	(809)
At 30 April 2012	**1,400**	**16**	**—**	**123**	**307**	**1,528**	**3,374**
Provisions due less than one year	1,400	16	—	67	307	1,528	3,318
Provisions due greater than one year	—	—	—	56	—	—	56
At 30 April 2012	**1,400**	**16**	**—**	**123**	**307**	**1,528**	**3,374**
Provisions due less than one year	1,400	22	62	67	289	1,499	3,339
Provisions due greater than one year	—	—	—	103	—	—	103
At 30 April 2011	1,400	22	62	170	289	1,499	3,442

The earn out provision in respect of the acquisition of Abacus EW was recognised at 14 May 2010. The earn out payable of up to £1.4m is disclosed above on acquisition and is potentially payable over the next year. Any reduction in the net earn out payable in respect of Abacus EW over the next year will be recognised in the consolidated income statement as an exceptional item.

The provision in respect of the withdrawal from AGS is to cover existing commitments related to the period prior to the sale of the AGS business in August 2009.

The onerous lease commitment (including a provision for dilapidations) is in respect of MASS's continuing lease obligations on its former operating property in St Neots which it vacated in August 2011 to enter its new freehold property, Enterprise House. This obligation will expire in May 2013.

The warranty provisions are management's best estimates of the Group's liability under warranties granted on software and other products supplied and are based upon past experience. The timing of such expenditure is uncertain although warranties generally have a time limit of no more than 12 months, unless a longer warranty period is purchased by the customer.

Warranty provisions are reviewed at the half year and year end in the light of actual spend and the remaining obligations to be fulfilled.

The other contract related provisions are management's best estimate of the Group's exposure to contract related costs and undertakings which are in addition to contract accruals and include contract loss provisions. The timing of these is uncertain but expected to be resolved within 12 months of the balance sheet date. These arise where a service or product has been previously delivered to the customer and the Group receives a claim or an adverse indication in respect of the work done. Where the amount required is uncertain or the Group disputes the amount of the claim, provision is made for the best estimate of the amount that will be required to settle the issue.

18. Provisions (continued)

Contract loss provisions are in respect of contracts where the estimated cost at completion exceeds the total expected revenue of the contract. The contract loss provision is recognised as a provision in full immediately as it arises. The contract loss provisions are held in respect of contracts which are expected to complete in the next 12 months.

Other contract related provisions also includes property dilapidation provisions and other trade related issues which may not be related to a trading contract. These balances are immaterial.

19. Deferred tax

	Accelerated tax depreciation £'000	Other intangible assets £'000	Revaluation of building £'000	Other short term timing differences £'000	Tax losses £'000	Derivatives £'000	Group £'000
At 1 May 2010	(227)	(177)	(649)	537	467	11	(38)
Credit/(charge) to the income statement	(178)	414	52	(409)	(467)	(167)	(755)
On acquisition of Abacus EW	—	(840)	—	—	—	—	(840)
Debit to equity	—	—	—	—	—	(5)	(5)
Effect of change in tax rate							
- income statement	68	43	43	(10)	—	11	155
- equity	—	—	—	—	—	—	—
At 1 May 2011	(337)	(560)	(554)	118	—	(150)	(1,483)
Credit/(charge) to the income statement	51	354	12	(55)	—	248	610
Credit to equity	—	—	—	—	—	9	9
Effect of change in tax rate							
- income statement	23	16	42	(5)	—	(8)	68
- equity	—	—	—	—	—	—	—
At 30 April 2012	**(263)**	**(190)**	**(500)**	**58**	**—**	**99**	**(796)**

The deferred tax credit of £678,000 is a combination of the credit to the income statement (£610,000) and the effect of the change in tax rate from 26% to 24% on those items recognised in the income statement (£68,000 credit).

The credit is disclosed as £678,000 (2011: £14,000 charge) in respect of the current year (2011: £586,000 charge in respect of prior years).

Certain deferred tax assets and liabilities have been offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2012 £'000	2011 £'000
Deferred tax assets	**157**	118
Deferred tax liabilities	**(953)**	(1,601)
	(796)	(1,483)

At the balance sheet date the Group had unused trading tax losses within its subsidiaries of £1.9m (2011: £1.9m) available for offset against future profits. This was not recognised as a deferred tax asset at 30 April 2012 (2011: £Nil) as the losses are not considered recoverable in the foreseeable future. These tax losses can all be carried forward indefinitely.

A deferred tax liability in respect of the revaluation of freehold building arose on the acquisition of SEA and is the potential tax liability payable on the revaluation gain in respect of the building with reference to its historical cost.

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19. Deferred tax (continued)
The deferred tax asset in respect of the share-based payments has not been recognised as the majority of the Group's share options in issue remain below the average market price and the realisation of any deferred tax asset is considered remote.

The Company's deferred tax balance at 30 April 2012 was an asset of £7,000 (2011: £6,000) being £5,000 (2011: £5,000) in respect of other short term timing differences and accelerated tax depreciation of £2,000 (2011: £1,000).

On 21 March 2012, the Chancellor announced the reduction in the main rate of UK corporation tax to 24% with effect from 1 April 2011. This change became substantively enacted on 26 March 2012 and therefore the effect of the rate reduction creates a reduction in the deferred tax liability which has been included in the figures above.

The Chancellor also proposed changes to further reduce the main rate of corporation tax by 1% per annum to 22% by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above. The overall effect of the further reductions from 24% to 22%, if these applied to the deferred tax balance at 30 April 2012, would be to further reduce the net tax liability by £66,000.

20. Derivative financial instruments
The Group has derivative financial instruments as follows:

	2012 £'000	2011 £'000
Assets		
Foreign currency forward contracts	**—**	542
Interest rate swap	**—**	33
	—	575
Liabilities		
Foreign currency forward contracts	**(413)**	—
Interest rate swap	**—**	—
	(413)	—

i. The changes in marking the outstanding foreign currency forward contracts to fair value are charged or credited to the consolidated income statement as '(charge)/income on marking forward exchange contracts to market value at the year end'. They are in respect of trading contracts undertaken by the Group and are all in respect of the SEA subsidiary and are disclosed within the SEA's operating profit in the segmental analysis (see note 1). The charge to the consolidated income statement for the year ended 30 April 2012 was as follows:

	2012 £'000	2011 £'000
Foreign currency forward contracts	**(955)**	595

ii. The interest rate swap was settled in full in October 2011 on paying down the loan to which the interest rate swap attached.

20. Derivative financial instruments (continued)

Currency derivatives

The Group utilises forward currency contracts to hedge significant future transactions and cash flows. The Group is party to a number of foreign currency forward contracts in the management of its foreign exchange rate exposure.

The changes in total outstanding committed foreign currency forward contracts of the Group were as follows:

2012	Buy £'000	Sell €'000	Sell £'000	Buy €'000	Sell £'000	Buy US$'000	Sell €'000	Buy US$'000
At forward exchange rates								
At 1 May 2011	**10,341**	**12,107**	**—**	**—**	**(543)**	**(873)**	**(1,699)**	**(2,380)**
Transferred to the income statement in respect of matured contracts	**(14,032)**	**(16,242)**	**11,771**	**13,753**	**543**	**873**	**1,699**	**2,380**
New contracts	**13,531**	**15,703**	**(11,771)**	**(13,753)**	**—**	**—**	**—**	**—**
At 30 April 2012	**9,840**	**11,568**	**—**	**—**	**—**	**—**	**—**	**—**
Fair value adjustment	**(413)**		**—**		**—**		**—**	
At 30 April 2012 at closing spot rate	**9,427**		**—**		**—**		**—**	

The total fair value adjustment is £413,000 credit (2011: £542,000 debit) and the change in the forward exchange fair values for the year ended 30 April 2012 is £955,000 (30 April 2011: £595,000 income) which is included in the operating profit of the Group as a charge.

2011	Buy £'000	Sell €'000	Sell £'000	Buy US$'000	Sell €'000	Buy US$'000
At forward exchange rates						
At 1 May 2010	11,370	13,029	–	–	–	–
Transferred to the income statement in respect of matured contracts	(9,286)	(10,629)	–	–	–	–
New contracts	8,257	9,707	(543)	(873)	(1,699)	(2,380)
At 30 April 2011	10,341	12,107	(543)	(873)	(1,699)	(2,380)
Fair value adjustment	440		19		93	
At 30 April 2011 at closing spot rate	10,781		(524)		(1,606)	

For the year ended 30 April 2011 the €93,000 fair value adjustment in respect of Euros to US$ forward contracts equates to a sterling equivalent of £83,000.

The maturity of the outstanding contracts was as follows:

At 30 April 2012	Buy £'000	Sell €'000	Sell £'000	Buy €'000	Sell £'000	Buy US$'000	Sell €'000	Buy US$'000
Within one year	**8,394**	**9,868**	**—**	**—**	**—**	**—**	**—**	**—**
One to two years	**680**	**800**	**—**	**—**	**—**	**—**	**—**	**—**
Greater than two years	**766**	**900**	**—**	**—**	**—**	**—**	**—**	**—**
At 30 April 2012 at closing spot rate	**9,840**	**11,568**	**—**	**—**	**—**	**—**	**—**	**—**

At 30 April 2011	Buy £'000	Sell €'000	Sell £'000	Buy US$'000	Sell €'000	Buy US$'000
Within one year	6,210	7,339	(543)	(873)	(1,699)	(2,380)
One to two years	2,924	3,368	–	–	–	–
Greater than two years	1,207	1,400	–	–	–	–
At 30 April 2011 at closing spot rate	10,341	12,107	(543)	(873)	(1,699)	(2,380)

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20. Derivative financial instruments (continued)
The following significant exchange rates applied at 30 April:

	2012			2011	
	US $	Euro	Canadian $	US $	Euro
	0.6149	**0.8149**	**0.6270**	0.6007	0.8905

Sensitivity analysis
A 10% strengthening of £ sterling against the above currencies at 30 April 2012 would have decreased profits by £4,000 (2011: £1,000), after taking into account assets and liabilities hedged by forward exchange contracts.

Interest rate swaps
The Group used an interest rate swap to manage its exposure to interest rate movements on its mortgage borrowings.

The interest rate swap was settled in full following the repayment of the Group's mortgage borrowings in October 2011.

The derivative financial instrument in respect of the interest rate swap was valued as follows:

	2012 £'000	2011 £'000
Nominal value of swap	–	(395)
Fair value of swap	–	428
Derivative financial asset	–	33

The movement in the hedge reserve was as follows:

	£'000
At 1 May 2010	11
Gain recognised on cash flow hedge in respect of interest rate swap	18
Deferred tax relating to gain on cash flow hedge	(5)
At 30 April 2011	24
Loss recognised on closing out interest rate swap on repayment of mortgages	(33)
Deferred tax relating to loss on closing out interest rate swap	9
At 30 April 2012	**–**

21. Share capital

	2012 Number	2011 Number
Allotted, called up and fully paid 10 pence ordinary shares	**40,786,788**	40,786,788

Movement in allotted, called up and fully paid 10 pence ordinary shares:

	Number
At 1 May 2010	40,786,788
Share options exercised	–
At 30 April 2011	40,786,788
Share options exercised	–
At 30 April 2012	**40,786,788**

The Company has one class of ordinary shares which carry no right to fixed income.

22. Share options

The Group grants share options under the Cohort plc 2006 share option scheme to senior management and key employees. In addition, the Group operates a Save As You Earn (SAYE) scheme which is available to all employees.

The details of the share option schemes are contained in the Remuneration & Appointments Committee report on pages 31 to 33.

The following options were outstanding at 30 April 2012:

				30 April 2012			30 April 2011		
Scheme and grant date	Exercise price £	Vesting date	Expiry date	**Vested**	**Not vested**	**Total**	Vested	Not vested	Total
Cohort plc 2006 share option scheme									
8 Mar 2006	1.230	8 Mar 2009	8 Mar 2016	**89,430**	**–**	**89,430**	111,788	–	111,788
9 Jul 2006	1.410	10 Jul 2009	9 Jul 2016	**–**	**–**	**–**	42,554	–	42,554
19 Feb 2007	1.770	20 Feb 2010	19 Feb 2017	**99,941**	**–**	**99,941**	215,475	–	215,475
21 Aug 2007	1.660	22 Aug 2010	21 Aug 2017	**–**	**–**	**–**	44,176	–	44,176
11 Jul 2008	1.890	12 Jul 2011	11 Jul 2018	**17,091**	**–**	**17,091**	12,333	309,028	321,361
5 Aug 2009	1.715	6 Aug 2012	5 Aug 2019	**–**	**51,028**	**51,028**	14,431	418,003	432,434
23 Jul 2010	0.835	24 Jul 2013	23 Jul 2020	**–**	**724,887**	**724,887**	46,299	840,796	887,095
27 Oct 2010	0.770	28 Oct 2013	27 Oct 2020	**–**	**64,935**	**64,935**	–	64,935	64,935
26 Jul 2011	0.915	27 Jul 2014	26 Jul 2021	**–**	**950,686**	**950,686**	–	–	–
24 Jan 2012	1.100	25 Jan 2015	24 Jan 2022	**–**	**68,000**	**68,000**	–	–	–
				206,462	**1,859,536**	**2,065,998**	487,056	1,632,762	2,119,818
Save As You Earn (SAYE) scheme									
5 May 2006	1.230			**–**	**–**	**–**	–	45,547	45,547
26 Jan 2006	1.450			**47,428**	**–**	**47,428**	–	47,428	47,428
12 Feb 2008	1.330			**–**	**112,663**	**112,663**	156,490	118,978	275,468
18 Aug 2009	1.380			**–**	**125,810**	**125,810**	–	166,667	166,667
27 July 2010	0.970			**–**	**275,921**	**275,921**	–	360,085	360,085
08 Aug 2011	0.885			**–**	**272,448**	**272,448**			
				47,428	**786,842**	**834,270**	156,490	738,705	895,195
				253,890	**2,646,378**	**2,900,268**	643,546	2,371,467	3,015,013

The SAYE options have maturity periods of three or five years from grant date.

The Group plan provides for a grant price equal to the average quoted market price of the Group shares on the date of grant. The vesting period is generally three years, five years in the case of some SAYE schemes. If options under the Cohort plc 2006 share option scheme remain unexercised after a period of ten years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

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22. Share options (continued)
The movement in share options during the year is as follows:

	2012		2011	
	Options	Weighted average exercise price £	Options	Weighted average exercise price £
Outstanding at 1 May	**3,015,013**	**1.28**	2,309,506	1.58
Granted during the year	**1,365,737**	**0.92**	1,429,109	0.87
Forfeited during the year	**(1,279,888)**	**1.52**	(632,899)	1.42
Exercised during the year	**—**	**—**	—	—
Expired during the year	**(200,594)**	**1.31**	(90,703)	1.45
Outstanding at 30 April	**2,900,268**	**1.00**	3,015,013	1.28
Exercisable at 30 April	**253,890**	**1.53**	643,546	1.47

The weighted average share price at the date of exercise for share options exercised during the year was £Nil (2011: £Nil). The options outstanding at 30 April 2012 had a weighted average exercise price of £1.00 (2011: £1.28) and a weighted average remaining contractual life of seven years (2011: six years).

In the year ended 30 April 2012, options were granted as follows: 1,015,686 on 26 July 2011, 282,051 on 8 August 2011 and 68,000 on 24 January 2012. The exercise prices of the options granted on those dates were £0.915, £0.885 and £1.100 respectively. In the year ended 30 April 2011 options were granted as follows: 966,947 on 26 July 2011 and 397,227 on 27 July 2011 and 64,935 on 27 October 2010. The exercise prices of the options granted on those dates were £0.835, £0.970 and £0.770 respectively.

Share options granted during the current and previous years were valued using the Quoted Companies Alliance Model, a Black Scholes based binomial model. The inputs to this model for the current and previous year were as follows:

	2012	2011
Weighted average share price	**£0.92**	£0.78
Weighted average exercise price	**£1.00**	£1.28
Expected volatility	**20% - 45%**	20% - 45%
Risk free rate	**0.96% - 5.75%**	2.45% - 5.75%
Leaver rate (per annum)	**6.5% - 10.0%**	6.5% - 10.0%
Dividend yield	**0.26% - 1.96%**	0.26% - 1.96%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. The leaver rate used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised a cost of £353,000 (2011: £317,000) relating to share-based payment transactions which are all equity settled, an equivalent amount being transferred to the share option reserve.

The cost of share-based payments is included in "administrative costs" within the consolidated income statement.

23. Own shares

	£'000
Balance at 1 May 2010	—
Acquired in the year	302
Balance at 30 April 2011	302
Acquired in the year	—
Balance at 30 April 2012	**302**

The own shares reserve represents the cost of shares in Cohort plc purchased in the market and held by the Cohort plc Employee Benefit Trust to satisfy options under the Group's share option schemes (see note 22).

The number of ordinary shares in Cohort plc held by the Employee Benefit Trust at 30 April 2012 was 361,446 (2011: 361,446).

23. Own shares (continued)

The ordinary shares in Cohort plc were acquired by the Employee Benefit Trust as follows:

	Number	Cost £'000
19 November 2010	61,446	51
29 November 2010	300,000	251
	361,446	**302**

The market valuation of the ordinary shares in Cohort plc held by the Employee Benefit Trust at 30 April 2012 was £356,024 (2011: £229,518).

The cost of operating the Employee Benefit Trust during the year ended 30 April 2012 was £5,720 (2011: £9,863) and this cost is included within the "administrative expenses" of the consolidated income statement.

24. Reserves

The Group (consolidated) and Company statements of changes in equity are disclosed as primary statements on pages 38 and 39. Below is a description of the nature and purpose of the individual reserves:

- Share capital represents the nominal value of shared issued, including those issued to the Employee Benefit Trust (see also note 21).
- Share premium includes the amounts over the nominal value in respect of share issues. In addition, costs in respect of share issues are debited to this account.
- Own shares held by the Group represent shares in Cohort plc. All the shares are held by the Employee Benefit Trust (see also note 23).
- Share option reserve represents the cumulative share-based payment charged to reserves less the transfer to retained earnings on vesting of options.
- Hedge reserve represents the cumulative change in fair value of interest rate swaps net of tax charged to reserves (see also note 20).
- Retained earnings include the realised gains and losses made by the Group and the Company.

25. Cash flow

a. Net cash from operating activities

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Profit for the year	**4,567**	2,761	**1,801**	2,609
Adjustments for:				
Income tax (credit)/expense	**(411)**	(65)	**2**	(8)
Depreciation of property, plant and equipment	**699**	707	**12**	11
Amortisation of other intangible assets	**1,364**	1,477	**—**	—
Net finance cost/(income)	**38**	143	**(20)**	108
Derivative financial instruments	**955**	(595)	**—**	—
Share-based payment	**353**	317	**53**	23
Decrease in provisions	**(68)**	(635)	**—**	—
Operating cash flows before movements in working capital	**7,497**	4,110	**1,848**	2,743
Decrease in inventories	**141**	84	**—**	—
(Increase)/decrease in receivables	**(129)**	2,802	**335**	(80)
Increase/(decrease) in payables	**1,236**	(148)	**49**	52
	1,248	2,738	**384**	(28)
Cash generated by operations	**8,745**	6,848	**2,232**	2,715
Income taxes paid	**(206)**	(166)	**—**	—
Interest paid	**(115)**	(170)	**(49)**	(135)
Net cash inflow from operating activities	**8,424**	6,512	**2,183**	2,580

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25. Cash flow (continued)
b. Cash and cash equivalents at 30 April 2012

	2012 £'000	2011 £'000
Cash and bank	**10,137**	10,177
Short term deposits	**4,003**	–
Total cash and cash equivalents	**14,140**	10,177
Bank loans	**–**	(3,444)
Total debt	**–**	(3,444)
Net funds	**14,140**	6,733

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with a maturity at commencement of three months or less. The carrying amounts of these assets approximate to their fair value.

26. Operating lease arrangements

Group	2012 £'000	2011 £'000
Minimum lease payments under operating leases recognised as an expense in the year:		
- land and buildings	**773**	732
- other	**172**	151
	945	883

At 30 April 2012 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012 £'000	2011 £'000
Land and buildings:		
- leases which expire within one year	**82**	58
- leases which expire in the second to fifth year inclusive	**960**	204
- leases which expire after five years	**2,090**	3,371
	3,132	3,633
Other:		
- leases which expire within one year	**17**	–
- leases which expire in the second to fifth year inclusive	**164**	167
- leases which expire after five years	**–**	–
	181	167
	3,313	3,800

Significant leasing arrangements held by the Group are in respect of its operating facilities in Lincoln, Bristol and Theale.

The lease on MASS's former operating property in St Neots (Grove House) is £67,200 per annum and is due to cease on 31 May 2013. MASS occupied its new operating freehold property (Enterprise House) in September 2010. The remaining lease commitment (including a dilapidation provision) on Grove House at 30 April 2012 of £123,000 (2011: £170,000) is provided for in full as an onerous lease commitment (see note 18).

In respect of all the Group's operating leases (including the Company's), there is no contingent rent payable, no escalation clauses and no restrictions for further leasing or restrictions on the Group's ability to access debt or pay dividends.

26. Operating lease arrangements (continued)

None of the significant operating leases entered into by the Group have any renewal or purchase options.

Company	2012 £'000	2011 £'000
Minimum lease payments under operating leases recognised as an expense in the year:		
- land and buildings	**38**	26

At 30 April 2012 the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012 £'000	2011 £'000
Land and buildings:		
- leases which expire within one year	**–**	–

27. Commitments

There was £1,200 of capital commitments at 30 April 2012 (2011: £29,000).

28. Pension commitments

The Group makes contributions to defined contribution stakeholder pension schemes. The contributions for the year of £1,924,000 (2011: £1,791,000) were charged to the income statement. Contributions outstanding at 30 April 2012 were £162,000 (2011: £64,000).

29. Contingent liabilities

At 30 April 2012 the Group has in place an advance payment guarantee of £175,000 (2011: £175,000) with RBS. This guarantee was in respect of SCS's leased property, Arlington House.

30. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. However, the key transactions are disclosed as follows:

	Management fees received from subsidiaries £'000	Rent paid to subsidiaries £'000	Dividends received from subsidiaries £'000	Group relief received from subsidiaries £'000
2012	**1,300**	**40**	**1,850**	**–**
2011	1,200	29	2,600	(8)

Transactions between the Group and its joint ventures are disclosed below:

	Purchases £'000	Sales £'000	Investment in year £'000	Changes in loans/current account/ sales ledger £'000
Advanced Geospatial Solutions (AGS)				
2012	**–**	**–**	**–**	**(21)**
2011	–	–	–	(9)
Digital Millennium Map LLP (DMM)				
2012	**–**	**–**	**(23)**	**–**
2011	–	–	(48)	–

The change in the loans, current accounts and sales ledgers reflects purchases, sales and support costs to the related party undertakings less any receipts received.

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30. Related party transactions (continued)
The relationships are described as follows:

- AGS – the interest in which is owned by Cohort plc, a 50% joint venture. From 1 May 2009 this has been accounted for as an investment, the Group no longer having an active participation in this entity.
- DMM – the interest in which is owned by Cohort plc, a 25% joint venture. From 1 November 2006 this has been accounted for as an investment, the Group no longer having an active participation in this entity.

The change in investment in the current and previous year in DMM reflects recovery of the investment through a dividend.

The Group is expected to have no significant transactions with either AGS or DMM.

The Group had a leasing agreement (dated 27 February 2006) with the Court House Partnership to lease the Court House at an annual rent of £57,000 for an initial period of five years, terminable by the Group with six months' notice at no penalty. Stanley Carter (a Director of Cohort plc) is a partner in the Court House Partnership. SCS vacated the Court House on 31 March 2010 with its lease commitment ceasing at that point. The Group's dilapidation obligations in respect of the Court House was settled at a cost of £35,000 in the year ended 30 April 2012. The transactions with Directors of the Company are disclosed in the Remuneration & Appointments Committee report on pages 31 to 33.

During the year ended 30 April 2012, the Directors of Cohort plc received dividends from the Company as follows:

	2012 £	2011 £
S Carter	**277,309**	234,646
N Prest	**54,199**	45,861
A Thomis	**916**	775
Sir Robert Walmsley	**651**	551
S Walther	**666**	563
	333,741	282,396

Further details of the remuneration of the Directors are set out in the Remuneration & Appointments Committee report (pages 31 to 33).

The aggregate remuneration (excluding share option costs) of the key management of the Group was as follows:

	2012 £	2011 £
Salary (including any allowances, benefits and employers NI)	**967,988**	906,582
Employers pension contribution	**78,143**	89,662
Long term benefits	**—**	—
Termination payments or benefits (including employers NI)	**—**	141,915
	1,046,131	1,138,159

The key management of the Group is the Board of Cohort plc plus each subsidiary's Managing Director.

31. Acquisition of subsidiaries, net of cash acquired

On 14 May 2010, the Group's subsidiary, MASS Consultants Ltd acquired the entire share capital of Abacus EW Consultancy Limited (Abacus EW) for a cash consideration of £918,000 and deferred cash consideration of up to £1.8m payable over three years from completion according to specific performance criteria being achieved by Abacus EW over the three year period to April 2013. The contingent consideration arrangement or earn out was payable in cash to the vendor of Abacus EW over the three-year period to 30 April 2013 as follows:

	2011 £'000	2012 £'000	2013 £'000	Total £'000
Specific contract win	200	200	–	400
Performance of Abacus EW (up to £1.4m over these three years)				1,400
				1,800

The maximum earn out payable was £1.8m.

Review of the earn out obligation at 30 April 2011 showed no earn out was payable in respect of the specific contract win for 2011 and 2012. The £0.4m earn out was derecognised and the adjustment made to the other intangible assets arising on acquisition.

The earn out in respect of the performance of Abacus EW is payable up to 30 April 2013 to a maximum of £1.4m and has been recognised as a provision due in less than one year at 30 April 2012.

Financial statements
Accounting policies

Basis of accounting

Both the parent company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRSs). On publishing the parent company financial statements here, together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these approved financial statements.

As highlighted in note 17 to the financial statements, the Company meets its day-to-day working capital requirements through an offsetting facility which is due for renewal in October 2012. Both the current domestic economic conditions and continuing UK government budget pressures, including defence, create uncertainty particularly over (a) the level of demand for the Group's products; (b) the exchange rate between sterling and euro and thus the consequence for certain long term contracts; and (c) the availability of bank finance in the foreseeable future.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility. The Company will open renewal negotiations with the bank in due course and has at this stage not sought any written commitment that the facility will be renewed. However, the Company has held discussion with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position is set out in the Business review on pages 8 to 23. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Finance Director's review on pages 18 to 21.

In addition, the Finance Director's review of the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings made up to 30 April 2012. Subsidiaries acquired during the year are consolidated from the date of acquisition, using the purchase method (see business combinations opposite).

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group. This is necessary as the Group's subsidiaries continue to prepare statutory financial statements in accordance with UK GAAP.

Adoption of new and revised standards

Various new and revised standards and interpretations have been adopted by the Group in the year ended 30 April 2012 which have had no significant impact on the amounts reported in these financial statements by the Group. These include amendments to IFRS 3 'Business Combinations', IAS 1 'Presentation of Financial Statements', IFRS 10 'Consolidated Financial Statements' and IAS 24 'Related Party disclosures'.

These changes may impact the accounting for future transactions and arrangements.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest rate method and are disclosed within accruals to the extent they are not settled in the period, unless the loan terms provide for the interest to be added to the principal; in which case the interest is added to the carrying amount of the instrument to which it pertains.

Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred unless, where appropriate, interest costs are capitalised into assets, fixed and current.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the completion date, of assets acquired, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquired subsidiary. The costs of acquisition are charged to the Group income statement as an exceptional item in accordance with IFRS 3 (Revised).

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable intangible assets, assets, liabilities and contingent liabilities recognised. If, after reassessment, which is a point in time greater than 12 months after the completion date, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds or is below the cost of the business combination, the excess or shortfall is recognised immediately in the income statement as an exceptional item.

Adjustments to the provisional value of assets and liabilities acquired in a business combination when the final values have become known within 12 months are adjusted as if the accounting had been completed at the acquisition date and the comparative information for prior periods is restated accordingly.

Any change in consideration, where previously estimated, is immediately recognised as an exceptional item in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on-demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Deposits are included within cash and cash equivalents where the maturity from commencement of the deposit is three months or less.

Derivative financial instruments and hedge accounting

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net income.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Exceptional items

Cohort's trade is the provision of technical advice and support, and the design, development and manufacture of niche products. As part of its operations, the Group may dispose of, or recognise impairment of, subsidiaries, or significant parts of subsidiaries, associates (including joint ventures and investments) and fixed assets as well as other significant non-trading transactions including significant restructuring costs, either as part of continuing operations or discontinued operations.

These items form part of the Group's operating activities and are reported in arriving at the Group's profit from operations; however, management does not consider these items to be part of trading activities. The gains or losses on such items can be significant and arise in different reporting periods and would consequently have a material impact upon the absolute amount of and trend in the Group's trading profit from operations.

Any gains or losses (including transaction costs) on these non-trading items are disclosed as a separate line item (in aggregate) in the income statement with analysis in a note to the accounts.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial statements
Accounting policies continued

Financial liabilities and equity instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Foreign currencies
The individual financial statements of each Group Company are presented in the currency of the primary economic environment in which it operates (its functional currency), which is currently sterling for the whole Group. For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company and the presentational currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the year.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts. The Group's Accounting policies in respect of such derivative financial instruments are described above.

These forward foreign exchange contracts are revalued to fair value at each balance sheet date with any movement included in the consolidated income statement as part of the cost of sales and disclosed separately in deriving the Group's adjusted operating profit.

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable intangible assets, assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement as an exceptional item and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's subsidiaries as appropriate. Subsidiaries (cash-generating units) to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the subsidiary is less than the carrying amount of the subsidiary, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the subsidiary and then to the other assets of the subsidiary pro rata on the basis of the carrying amount of each asset in the subsidiary. An impairment loss recognised for goodwill is not reversed in a subsequent period. The impairment of goodwill is a critical judgement and estimate and is discussed in detail below.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of tangible and intangible assets excluding goodwill
At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or subsidiary) is estimated to be less than its carrying amount, the carrying amount of the asset (subsidiary) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (subsidiary) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (subsidiary) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible assets
Intangible assets are recognised in respect of contracts, intellectual property rights and other measurable intangibles arising on business combinations. The value of these intangible assets is determined by the estimated value to the Group going forward and the intangible assets are written off on a straight-line basis over the estimated useful life. As discussed below, the valuation of intangible assets is an area of critical judgement and estimate by the Directors.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling price less further cost expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

Joint ventures
The Group accounts for joint ventures where it has a participating interest using the equity method of accounting and discloses the net investment in non-current assets.

Where the investment in a joint venture is negative, the negative investment, to the extent it is a liability of the Group, is offset against any trade and other receivables held by the Group in respect of that joint venture.

The Group accounts for joint ventures in which it no longer has a participating interest by recognising any investment and assets or liabilities due to or from the Group.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee
Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Pension contributions
Payments are made to the Company's stakeholder pension schemes, all defined contribution schemes. Amounts are charged to the income statement as incurred.

Property, plant and equipment
Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their fair value at the date of acquisition, plus any subsequent cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	2% – 4%
Fixtures, fittings and equipment	20% – 50%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement as an exceptional item.

Financial statements
Accounting policies continued

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material. In respect of specific types of provisions the policy is as follows:

Restructuring
A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group.

Onerous lease commitment
Present obligations arising under an onerous lease are recognised and measured as a provision. An onerous lease is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the lease exceed the economic benefits expected to be received.

An onerous lease includes the vacation of a property prior to termination of the associated lease.

Warranty
Provisions for the expected cost of warranty obligations under local sale of goods legislation and specifically contracted warranty undertakings are recognised at the date of sale of the relevant product or service. The provision is the Directors' best estimate of the expenditure required to settle the Group's obligation.

Other contract related provisions including contract loss provisions
These include the following:

The Group undertakes a number of contracts where contractual and/or third-party obligations arise as a result of delivering the contract. This provision includes amounts for losses on contracts which are recognised in full immediately that it is probable that total contracts costs will exceed total contract revenue. In some cases, after a product has been delivered and revenue has been recognised, the Group receives claims (including warranty issues) from customers in respect of work done. Where the amount required to settle the claim is uncertain or the Group disputes the amount of the claim, provision is made for the best estimate of the amount that will be required to settle the claim.

Where the expected cost at completion of a current contract exceeds the sum of the contracted revenue and any probable revenue, then the amount of that excess (the estimated contract loss) is immediately provided for in full. Such contract loss provisions are reviewed on a regular basis to determine whether the provision is still adequate or excessive. Contract loss provisions and subsequent adjustments to them are charged as cost of sales in the income statement.

Where such an obligation relates to a discontinued operation then the charge will be disclosed as an exceptional item.

Research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's own development activity is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes) and is technically and commercially feasible;
- it is probable that the asset created will generate future economic benefits and the Group has available to itself sufficient resources to complete the development and to subsequently sell and/or use the asset created; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Revenue recognition
Revenue is recognised at the fair value of the consideration received or receivable for the provision of goods and services, excluding discounts, VAT and other sales related taxes:

Sales of goods are recognised when goods are delivered and title has passed.

The Group applies either IAS 11 'Construction Contracts' or IAS 18 'Revenue' to account for revenue depending on the nature of the arrangement with the customer. The Group's arrangements fall into four main categories:

1. Time hire

   Revenue is recognised in accordance with IAS 18 when the services are provided, i.e. when the employees undertake the work.

2. Managed services

   In managed services, revenue is generally a fixed-price for the provision of specific ongoing defined services (not the construction of an asset) over an agreed period. These services include the provision of technical engineering support, maintaining help desks and consultancy. Where the services comprise an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the period that the services are provided. Where the services comprise one or more significant acts, revenue is recognised as each act is completed.

3. Product

   Goods are delivered to customers and, on their acceptance by the customer, revenue is recognised. At that point, the Group does not have any continuing involvement or control over the goods and all significant risks and rewards have been transferred to the customer.

4. System design, build, test and delivery

   These contracts are typically for building complex custom designed assets which are usually components for use in larger customer owned assets. These contracts are accounted for under IAS 11. The Group's contracts of this nature are generally fixed-price and without "stand alone" values for each element as the contracts are negotiated and ultimately delivered/accepted as a single package.

   In these contracts the revenue is recognised using the "percentage of completion" method in IAS 11.

   In almost all cases the percentage of completion is based on input measures (i.e. costs incurred as a proportion of estimated total costs). In some cases, an output measure based on surveys of work performed may be used where these are available and measure reliably the work performed.

Costs are expensed as incurred in respect of all contracts unless they relate to goods yet to be delivered, services related to a significant act that has yet to be completed or future activities on a contract accounted for under IAS 11 in which case they are recorded as an asset (either inventory or amounts recoverable on contract).

In some cases, Group contracts can be divided into multiple elements with stand alone values using either the principle in IAS 18.13 or the following criteria based on IAS 11.7–10:

- separate proposal for each element;
- each element was subject to separate negotiations; and
- costs and revenues for each element can be identified.

Where separate elements are identified, each is treated as one of the four revenue types described above.

Bid costs
Costs incurred before the award of a contract is probable are expensed as incurred. Where material bid costs arise after the award of a contract has become probable but before the contract is in place, then such identified bid costs are included in contract costs.

Financial statements
Accounting policies continued

Share-based payments
The Group has applied the requirements of IFRS 2 'Share-based Payments'. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 May 2006.

The Group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest and adjusted for the non-market based vesting conditions.

Fair value is measured by use of the Quoted Companies Alliance binomial model (a Black Scholes model). The expected life used in the models has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

A liability equal to the portion of the goods and services received is recognised at the current fair value determined at each balance sheet date for cash-settled, share-based payments.

The cost of share-based payments is charged to the income statement with a corresponding credit applied to the share option reserve. The appropriate element of the reserve is transferred to the retained profit of the Group when the share options to which the reserve relates vest.

Taxation
The tax expense represents the sum of the tax currently payable and the deferred tax expense or credit.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Trade and other receivables
Trade receivables are initially measured at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated recoverable amount.

Long term contracts are assessed on a contract by contract basis and reflected in the income statement by recording revenue and related costs as contract activity progresses. Revenue is ascertained in a manner appropriate to the stage of completion of the contract, and credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty. The amount by which revenue exceeds payments on account is classified as "amounts recoverable on contracts" and included within trade and other receivables; to the extent that payments on account exceed relevant revenue, the excess is included as an advance receipt within trade and other payables. The amount of long term contracts, at cost net of amounts transferred to cost of sales, costs incurred plus recognised profits, less provision for foreseeable losses and payments on account not matched with revenue, is included within trade and other receivables as "amounts recoverable on contracts".

Trade payables

Trade payables are initially measured at fair value.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The Directors have identified the following critical judgements and estimates in applying the Group's accounting policies that have the most significant impact on the amounts recognised in the financial statements.

Critical accounting judgements

Revenue recognition

The revenue recognition policy of the Group is described in detail on page 73. There are areas where the Directors have to make judgements as to the level of revenue to be recognised in the financial statements, in particular "stage of completion":

- In accordance with IAS 11, revenue is recognised using the "percentage of completion" method for system design, build, test and delivery contracts. In almost all cases the percentage of completion is based on input measures (i.e. costs incurred as a proportion of estimated total costs). In a few cases, an output measure based on surveys of work performed may be used where these are available and measure reliably the work performed.
- These contracts generally are not capable of segmentation and the percentage of completion method is applied to the contract as a whole.
- In advance of completion of key stages (or deliverables) of contracts, there is additional uncertainty in the estimated total costs and accordingly this additional uncertainty is reflected in increased estimates of the total costs, i.e. a contingency is added.
- Once those key stages have been completed and the risks expired, the relevant remaining contingencies are removed from the forecast total contract costs. It is a critical judgement of the Directors as to both the level of contingency recognised and its retention or not.

Acquisition of other intangible assets

Intangible assets other than goodwill that are obtained through acquisition are capitalised on the balance sheet. These other intangible assets are valued on acquisition using a discounted cash flow methodology which depends on future assumptions about the revenue from contracts, prices and costs and on the Group's cost of capital. These assumptions reflect management's best estimates but depend on inherent uncertainties which may not be within the control of management.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Impairment of goodwill

The Group has significant goodwill balances, the life of which it considers to be indefinite. It assesses annually the recoverability of the balance, or more frequently in the event of an occurrence indicating impairment. The assessment involves comparing the carrying amount of the asset with its recoverable amount, which is the greater of its value in use and net realisable value by reference to external measures.

Financial statements
Accounting policies continued

Key sources of estimation uncertainty (continued)
Impairment of goodwill (continued)
Value in use is determined using discounted cash flow techniques that involve the estimation of future cash flows over a long period and an appropriate discount rate to apply.

Future cash flows are estimated based on historical experience, internal estimates and data from external sources. Such estimates are subject to change as a result of changes in economic and competitive conditions. Higher estimates of future cash flows will increase the value in use of goodwill, but lower estimates of cash flows will reduce the value in use and increase the risk of impairment.

Discount rates (weighted average cost of capital) are applied to the cash flows to arrive at the value in use. An increase in the discount rate will reduce the value in use of the goodwill, and therefore increases the risk of the value in use falling below the carrying value and resulting in the requirement for an impairment provision. A reduction in the discount rate decreases the likelihood of impairment.

Future changes in interest rates, the premium that markets place on equity investments relative to risk free rates and the specific assessment of the capital markets as to the Group's risk relative to other companies can affect our discount rate. Increases in interest rates or the risk premiums applied by capital markets would result in an increase in the Group's discount rate and vice versa. These factors are largely outside the Group's control or ability to predict and can therefore have a significant impact on the estimated fair value of goodwill and hence its impairment.

The assessment of goodwill impairment is disclosed in note 11.

Standards and interpretations issued at 30 April 2012 not applied to these financial statements
A number of other standard amendments and International Financial Reporting Interpretation Committee (IFRICs) have been issued and are yet to be applied by the Group. There are eleven proposed changes to international standards proposed by the International Accounting Standards Board. These have an effective date of implementation of 1 January 2014 with a few exceptions, which are immediate. The impact of these standards on the Group's financial statements are not significant. Two current exposure drafts which are not standards but will have an impact on the Group are:

i. Revenue recognition

ii. Leases

The full impact for the Group has not been assessed at this stage.

Advisers

Registered company number of Cohort plc
05684823

Cohort plc is a company registered in England and Wales

Nominated adviser and broker
Investec
2 Gresham Street
London EC2V 7QP

Auditor
KPMG Audit Plc
Chartered Accountants
Arlington Business Park
Theale
Reading RG7 4SD

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Deloitte LLP
Abbots House
Abbey Street
Reading RG1 3BD

Legal advisers
Pitmans
The Anchorage
34 Bridge Street
Reading RG1 2LU

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Public and investor relations
MHP Communications
60 Great Portland Street
London W1W 7RT

Bankers
RBS
Abbey Gardens
4 Abbey Street
Reading RG1 3BA

Shareholder information and financial calendar

Shareholders' enquiries
If you have an enquiry about the Company's business, or about something affecting you as a shareholder (other than queries which are dealt with by the Registrar), you should contact the Company Secretary by letter to the Company's registered office or by email to info@cohortplc.com.

Share register
Capita Registrars maintains the register of members of the Company.

If you have any questions about your personal holding of the Company's shares, please contact:

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Telephone: 0871 664 0300 (Calls cost 10 pence per minute plus network extras)(from outside the UK: +44 (0) 20 8639 3399)
Lines are open Monday to Friday, 8:30am to 5.30pm
Facsimile: +44 (0) 20 8639 2220 E-mail: ssd@capitaregistrars.com

If you change your name or address or if details on the envelope enclosing this report, including your postcode, are incorrect or incomplete, please notify the Registrars in writing.

Daily share price listings
The Financial Times – AIM, Aerospace and Defence
The Times – Engineering
Daily Telegraph – AIM section

Financial calendar

Annual General Meeting	11 September 2012
Final dividend payable	19 September 2012

Expected announcements of results for the year ending 30 April 2013:

Preliminary half year announcement	December 2012
Preliminary full year announcement	June 2013

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